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FOREIGN OPERATIONS, EXPORT FINANCING, AND RELATED PROGRAMS
APPROPRIATIONS FOR 2004--Part 5

FOREIGN OPERATIONS, EXPORT FINANCING, AND RELATED PROGRAMS
APPROPRIATIONS FOR 2004

HEARINGS

BEFORE A

SUBCOMMITTEE OF THE

COMMITTEE ON APPROPRIATIONS

HOUSE OF REPRESENTATIVES

ONE HUNDRED EIGHTH CONGRESS
FIRST SESSION

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PART 5

PRESIDENT'S FY 2004 SUPPLEMENTAL REQUEST FOR IRAQ AND AFGHANISTAN

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(ii)

FOREIGN OPERATIONS, EXPORT FINANCING, AND RELATED PROGRAMS
APPROPRIATIONS FOR 2004

Wednesday, September 24, 2003.

PRESIDENT'S FISCAL YEAR 2004 SUPPLEMENTAL REQUEST FOR IRAQ

WITNESSES

AMBASSADOR PAUL BREMER, PRESIDENTIAL ENVOY, ADMINISTRATOR, AND HEAD OF
THE COALITION PROVISIONAL AUTHORITY
GENERAL JOHN P. ABIZAID, COMMANDER, UNITED STATES CENTRAL COMMAND

Chairman Kolbe's Opening Statement

Mr. Kolbe. The subcommittee will come to order. As I said, we are going to be interrupted very shortly apparently by votes, but we will at least begin with our opening statements. We are very pleased today to have for this first hearing on the supplemental appropriations that has been submitted by the President for the military and for reconstruction in Iraq and Afghanistan, Ambassador Paul Bremer. We welcome Ambassador Bremer, who is the Presidential envoy and our Administrator and head of the Coalition Provisional Authority and reconstruction efforts in Iraq.

We are also very pleased to have with us today General Abizaid, the Commander of the U.S. Central Command.

Thank you both very much for taking the time to be with us to review this extremely important supplemental appropriations legislation.

The subcommittee has convened today to review the President's \$87 billion fiscal year 2004 supplemental request, and specifically the \$20.3 billion requested for reconstruction and security efforts in Iraq. Clearly, the reconstruction of Iraq is among the most important issues affecting U.S. policy and our national security. The creation of a free, democratic and economically prosperous Iraq is important to U.S. security, to winning the war on terrorism and to providing peace and stability in the Middle East.

Our men and women in the United States Armed Forces, along with our coalition allies, swiftly defeated Saddam Hussein's military, and we deposed its brutal regime. General Abizaid, we are indebted to the men and women of the Armed Forces who have made and continue to make sacrifices to guarantee the freedom not only of the Iraqis, but of all of us.

Now, having won the major part of this military conflict, we are faced with what is clearly an equally daunting and perhaps an even more daunting task; we have to build a new Iraqi nation out of the rubble of a tyranny that inflicted decades of cruelty, of mismanagement, of underinvestments in Iraq and in the Iraqi people.

The shocking condition of Iraq's infrastructure has only fully come to light since the triumph of our military forces. By way of illustration I note, for example, one element in this supplemental request is for wastewater treatment. The current coverage of such treatment in Iraqi urban areas is only 6 percent; 6 percent of Iraq has sewage treatment.

We are not the first generation of Americans to be faced with this challenge. After World War I, we defeated the central powers, and then we retreated from global involvement as our

allies demanded reparation payments, and Europe found itself at war again just two decades later.

In World War II, we took a very different approach. We developed the Marshall Plan for the reconstruction of both Europe and Japan, arguably the most creative and successful foreign assistance program in history. The Marshall Plan was a bipartisan effort, and it was decisive action after that generation saw Europe sliding into instability.

Now, in Iraq, many would argue that we have another chance to get it right. If we don't, that nation could earn the label of a failed state, might well become a divided nation, and become an incubator for terrorism and further instability in the Middle East.

In April, this Congress passed an emergency wartime supplemental appropriation bill which included some \$2.475 billion for immediate relief on reconstruction. All, or virtually all, of these funds have now been apportioned or allocated or under contract. USAID and other agencies have been hard at work in support of the CPA--the Coalition Provisional Authority. They are refurbishing health clinics, repairing power and water plants, and putting the port of Um Qasr back in operation.

An Iraqi Governing Council has been formed under Ambassador Bremer's guidance. Iraqi ministers have been appointed and economic reforms have been approved.

Since early April, I have journeyed three times to the region to meet with reconstruction officials, beginning with General Garner and our disaster assistance teams as they prepared to deploy from Kuwait to Baghdad in April. Many of us here met with Ambassador Bremer shortly after he requested the President's request. I saw him again in Amman, Jordan, and last month we visited in Iraq when we had a chance to see firsthand the challenges that Ambassador Bremer and his team faced.

No one needs to convince me about the need to enhance and approve security and public safety. Our CODEL--congressional delegation was in Baghdad the day the U.N. Compound was bombed. In fact, we were in Ambassador Bremer's conference room being briefed at the time that it happened.

President Bush has rightly responded in this supplemental request to the needs for investments in security and reconstruction. This need has been identified and articulated by virtually every Member of Congress who has traveled in Iraq. The package before us follows the strategic plan that Ambassador Bremer has laid out. It invests in security, such as recruiting police forces, border enforcement agents, creation of a new Iraqi Army that no longer poses a threat to its neighbors. It supports creation of a fair justice and judicial system, including technical assistance for investigation of crimes against humanity. It increases electricity generation, access to safe drinking water, irrigation systems for agriculture, provision of safe transportation such as modernizing the airports at Baghdad and Basra. It provides for refurbishment of hospitals and for medical equipment for those hospitals and other clinics. It seeks to stimulate economic development and private enterprise.

And while I support the need for this bold and sweeping action to create a new Iraq, I want to make sure that the

amounts that are requested are justified and fully explained. Let me be clear. This subcommittee intends to scrub this funding request. We will ask, I think, tough and probing questions today in an effort to understand how the request was compiled and how the funds are going to be spent. We want to know how results will be achieved, how success will be measured, and which agencies and individuals are going to be held accountable.

It is unclear to me whether the current organizational approach is appropriate for administering over \$20 billion in foreign assistance. The subcommittee will have another hearing next Tuesday morning with Deputy Secretary of State Rich Armitage and USAID Administrator Andrew Natsios. At that hearing, there will certainly be questions about Iraq but they will mostly focus on the request for reconstruction in Afghanistan, and other aspects.

Rebuilding Iraq ought not to be a partisan issue. All of us have a stake in the successful outcome of our reconstruction effort. Success will mean bringing home our men and women from overseas deployment. Success is essential to America's role in the Middle East and the Arab world. We need to follow through on our commitment. We cannot afford not to succeed.

Ambassador Bremer and General Abizaid, we greatly appreciate your taking time from your duties to appear before this subcommittee. I know that you have been doing a lot of testifying before committees of Congress. Before turning to my distinguished Ranking Member Ms. Lowey, I want to thank both of you for your service to our Nation. I am quite aware of challenges that you face personally, and that the men and women under your commands face. We thank you for the service that you are providing both for the American people and for the millions of Iraqis who want nothing more than a peaceful, and democratic and a prosperous nation.

Ms. Lowey, I will turn to you.

Mrs. Lowey's Opening Statement

Mrs. Lowey. Thank you, Mr. Chairman, and I join you in welcoming Ambassador Paul Bremer and General John Abizaid this afternoon to the Foreign Operations Subcommittee.

As we begin what will be a difficult process, I want to first express my gratitude and support to the men and women deployed to Iraq or Afghanistan, both military and civilians, who are being asked to risk their lives every day. And as I seek a frank assessment of the situation and ask necessary questions, it is not meant--and I want to make that clear--to reflect on the dedicated effort of those individuals, and that includes both of you. And I thank you again for the service to your country.

I also want to say that I believe that reconstructing Iraq is a national security imperative. The stakes are very high. We have an opportunity to establish a democracy in Iraq which would have the potential to transform the region and set a powerful example for other troubled areas of the world. If we fail to stabilize Iraq or break the promise of freedom and democracy, we may inadvertently embolden those who want to destroy America, and in that way reconstructing Iraq is a

United States homeland security imperative.

And I agree with you, Mr. Bremer, when you refer to the Marshall Plan and the historic success of that effort. The distinction, though, is that George Marshall planned in concert with other nations, took his plan to the American people, took a long while to finalize it, worked with Congress to authorize the plan and appropriate the funds to execute it. This request identifies reconstruction needs in many sectors, but, in my judgment, it is no Marshall Plan.

Mr. Bremer, in your testimony before the Senate on Monday, you indicated that this \$20 billion would be most of what is required to rebuild Iraq. While I respect the difficulty of the job you are undertaking and don't doubt the sincere efforts of your staff, this is truly puzzling to me. As late as this past spring, Congress was given the distinct impression that the \$2.5 billion allocated for reconstruction was all that would be required, and that other donor resources, oil revenue, seized assets, would be sufficient to cover future costs. But in the August 26th Wall Street Journal, you were quoted as saying that the total cost of rebuilding Iraq could eventually run as high as \$100 billion. The World Bank is expected to estimate that it will take \$50- to \$75-billion to rebuild a stable Iraq.

We seem to have transitioned from a cautious beginning to requesting funding for everything without a plan or a thorough justification. And not only have the cost estimates been unrealistic, the entire postwar experience appears to have taken us by surprise. We were told that we would be welcomed with open arms by the Iraqi people, and that Iraqi Government institutions would be restored after a short hiatus. The vision of postwar reconstruction presented to Congress at that time was, for many of us, either hopelessly naive or grossly incompetent.

So I agree that we have to address all the areas covered in your request. There is broad bipartisan support to provide what is necessary not only on this committee, but in the Congress. But we have a duty, a responsibility to ask critical questions, and I do believe the administration has a duty to provide the answers.

Mr. Bremer, this is the first time you have appeared before this committee, and you are asking us to write a \$20 billion check with no provision for ongoing reporting or oversight. Many Americans and members of both parties are now demanding a concrete plan and timetable of a transition to Iraqi control. Americans want to know if our country is expected to pay the full cost of recovery, including war damage, looting, and infrastructure damage during Saddam Hussein's regime. Americans want to have a realistic, and I think they must have a realistic, assessment of potential contributions from our allies and understand how we will work with our allies going forward.

Congress is rightfully concerned that by agreeing to this request, we are committing the United States for years to come. The construction request alone totals more than \$15 billion. And even with a robust construction sector mobilized in Iraq, it would take 5 to 7 years to complete this work. These are appropriate and legitimate concerns. Our deficit will exceed \$500 billion this year. Remember, every dime we provide for

rebuilding Iraq will be paid for by future generations of Americans.

I strongly believe that Congress must conduct the oversight we are responsible for under the Constitution, and I hope that the administration will not challenge that duty by claiming or delaying resources or undermining our purposes in Iraq. This is our constitutional responsibility.

The request appears to have been assembled with little or no input from implementing Federal Government agencies. There is little, for example, if any, information about the basis for many of the cost estimates used. While you have committed to competitive contracting, we have no specific information on current or intended contracting procedures, and no information about anticipated contract or selection procedures. There is no schedule of implementation for most programs, no information about amounts expected from other donors, no sense of what funds already provided have paid for, and no timetable for completion or a phaseout of U.S. involvement.

In short, I am concerned that this is a request, a wish list, without any context.

Now, while the request is remarkable in its size, what is more remarkable is that it appears to have left out some vital elements. The request seeks \$400 million for new prisons in Iraq at an amazing cost of \$50,000 per bed, but apparently seeks no funding for basic education. There is \$4 million requested to develop a new set of telephone numbers, but no funding requested for local governance or political transition. There is \$200 million requested for an Iraqi-American Enterprise Fund, but no funds requested for food or agricultural development. Where programs have been started with prior funds, they apparently will be terminated when that funding runs out. For example, the oil-for-food program which currently feeds over half the country is being phased out, but we have no information on what will replace it.

So, it is this lack of detailed information that upsets people and contributes to the call for a clear, comprehensive plan and a precise timetable. I am sympathetic, I want you to know, to how difficult this demand is. And I recall enduring a similar clamor from some colleagues on the other side of the aisle during the Kosovo and Bosnia crisis. But implementation of all the elements in this request and the seven steps to a political transition that you intend to follow commits us to a sizeable U.S. presence for at least the next 5 years. So, in my judgment, there should be a 5-year plan. When we are asking hard-working Americans to sacrifice, they deserve to know how great our commitment will be in time, people, and money. So I urge you and the administration to share the details of the comprehensive plan with us and the knowledge you have gathered with the American people.

The Congress and the American people will have questions, but I believe they will support this very important effort. And it is my hope today that you will give us the basis for appropriating the \$20.3 billion, which, frankly, is larger than our entire foreign operations allocation for the whole world, and it is higher by a few billion. That information is essential, because in the next weeks this committee will be making scores of critical funding decisions on domestic,

homeland security and other foreign aid requirements, and we need to know the facts.

Finally, Mr. Chairman, I hope and expect that the administration will work with us to fully develop a mechanism for necessary oversight of the CPA through the appropriate Federal agencies.

I look forward to your testimonies. And, again, with great respect, I thank you for appearing before us.

Mr. Kolbe. Thank you very much, Ms. Lowey.

This subcommittee will stand in recess until after the second vote. We will resume immediately when the second vote starts. Please come back. We have about 4 minutes. I suggest you move quickly to the floor.

[Recess.]

Mr. Kolbe. The subcommittee will come to order. I know Mr. Young has an opening statement, and we will take that as soon as he comes back, but let us proceed with the opening statements here of General Abizaid and Ambassador Bremer. As you know, we have both of your opening statements. They will be in the record, and you may summarize them if you choose. And I am not sure which is going to go first on this.

Ambassador Bremer.

Ambassador Bremer. Thank you, Mr. Chairman. Members of this committee, thank you for this opportunity to address the Congress and the American people about the President's supplemental request.

Before I begin, I want to pay tribute to the fine young men and women in our Armed Forces. Leading a coalition, our Armed Forces delivered a military victory without precedent. In roughly 3 weeks they liberated a country bigger than Germany and Italy combined with an army smaller than the Army of the Potomac. Our Armed Forces accomplished all this while absorbing and inflicting minimal casualties.

Mr. Chairman, I know you and other Americans hate to wake up in the morning to the news that another American has been killed in the Iraq. I lived eight time zones away from you, so I hear this news even before you do. And let me tell you, no one regrets it any more than I do. But these deaths, painful as they are, are not senseless. They are part of the price America pays for civilization, for a world that refuses to tolerate terrorism and genocide and weapons of mass destruction. Those who ambush coalition forces, like those responsible for recent terror bombings and those who ambushed Governing Council member Aquila al-Hashimi last Saturday, are trying to thwart constitutional and democratic government in Iraq. They are trying to create an environment of insecurity. Mr. Chairman, they may win some battles, but they are losing the war with history.

President Bush's vision, in contrast, provides for an Iraq made secure through the efforts of the Iraqis. In addition to greater security, the President's plan provides for an Iraqi economy based on sound economic principles and bolstered by a reliable infrastructure. Finally, the President's plan provides for a democratic, sovereign Iraq at the earliest reasonable date.

Mr. Chairman, if we don't provide that kind of Iraq, we run the risk of turning Iraq into a haven for terrorists.

Terrorists love state sponsors, countries that provide them with cash, arms, refuge, and planning. Saddam's Iraq was one of those countries. The Rome and Vienna massacres in 1985 were organized by terrorist Abu Nidal, who lived out his days under Saddam's protection. Similarly, Abu Abbas, the architect of the Achille Lauro hijacking and the murderer of American citizen Leon Klinghofer, lived in Baghdad as an honored guest of Saddam.

Creating a sovereign, democratic, constitutional, and prosperous Iraq can deal a blow to terrorists. It can show that you can have freedom and dignity without using truck bombs to slaughter the innocent. It gives the lie to those who describe Americans as enemies of Islam, enemies of Arabs, enemies of the poor. That is why the President's request has to be seen as an important element in the global war on terrorism.

Mr. Chairman, in your statement you made reference to the lessons of history. If I may, let me tell you my take on the lessons of history.

When we emerged victorious from World War I, many Americans had opposed the war, and as a Nation we wished to shake the old world dust off our boots and solve our problems at home. We had spent and lent a lot of money. The victors celebrated their victory, mourned their dead, and demanded the money they were owed. We won the war, and we did not consolidate the peace.

As the American people watched the emergence of Hitler and Mussolini, many grew disgusted with Europe and the world. They became isolationists, and their plan was simple and simplistic: America first. And Hitler came and Mussolini came and Tojo came, and the Second World War came.

While we knew enough to discard the reparations-and-debt mantra, it was a full 3 years after Hitler died in his bunker before the correct response was articulated by then Secretary of State George Marshall. In the Marshall Plan, which was introduced in 1948, we embarked on the--the greatest generation embarked on the boldest, most generous, and most productive act of statesmanship of the past century with the Marshall Plan. Winston Churchill called it the most unsordid act in history.

The Marshall Plan, as you noted, Mr. Chairman, was enacted with overwhelming bipartisan support, and it set war-torn Europe on the path of freedom and prosperity, freedom and prosperity which Europeans enjoy today. After 1,000 years as the cockpit of war, Europe became the cradle of peace in two short generations.

The \$20 billion in grants to Iraq the President seeks as part of this \$87 billion supplemental bespeak a grandeur of vision equal to that of Marshall.

Let me make a few points about this request. Several of you have mentioned the need for a plan. We do have a plan with milestones and specific intervals, milestones for the spending of this money and milestones for our overall strategy in Iraq.

Secondly, no one part of this supplemental is dispensable, and no part is more important than the others. It is a carefully considered, integrated request.

Thirdly, this request is urgent. The urgency of dealing with military operations is self-evident, but the funds for nonmilitary action are equally urgent.

Most Iraqis welcomed us as liberators. Now the reality of

foreign troops on the street is beginning to chafe, and some Iraqis are beginning to regard us as occupiers and not liberators. This was perhaps inevitable, but faster progress and reconstruction will help.

Unless this supplemental passes quickly, Mr. Chairman, Iraqis face an indefinite period of blackouts 8 hours a day. The link to our safety, the safety of our troops, is real if indirect. We need to emulate the military practice of using overwhelming force in the beginning. Incrementalism and gradual escalation will not work. This money will be spent with prudent transparency, a subject I know is of concern to this committee. Every contract of the \$20 billion for Iraq will be competitively bid.

The money needs to be granted and not loaned. Initially offering assistance as loans seems attractive, but once again, Mr. Chairman, we need to examine the facts in historical context. Iraq today has almost \$200 billion in debt which it cannot repay. These hang over it as a result of Saddam's economic incompetence and aggressive wars, and Iraq is in no position to pay this existing debt, let alone more debt. Mountains of unpayable debt contributed heavily to the instability that paved Hitler's path to power. We should not repeat that experience.

The President's first priority in this supplemental is security, security provided by Iraqis and to Iraqis. He seeks \$5.1 billion for three elements of security, which are outlined in the request. The first pillar is public safety. We would spend just over \$2 billion for police and police training and related matters if the supplemental is approved. Already, 40,000 police are on duty, and our plan will double that number in 18 months.

The second pillar is national defense. We seek another \$2 billion in this request to build a new three-division Iraqi Army and Civil Defense Corps. The first battalion of the Army will graduate on schedule October 4th, and by next summer, if the supplemental is approved, we will have 27 battalions trained.

The third pillar is a justice system to rein in the criminal gangs and revenge seekers, the murderers, rapists, and kidnappers who Saddam Hussein let loose from prison last year.

Mr. Chairman, the security assistance helps the United States in four direct ways. First, Iraqis will be more effective at finding the criminals than we are. As talented and courageous as coalition forces are, they can never replace an Iraqi who knows his beat, knows his people, their customs, rhythms and languages. Iraqis want Iraqis providing their security, and so do we.

Secondly, as Iraq security forces assume their duties, they replace coalition troops in roles that generate frustration, friction, and resentment, conducting searches, manning checkpoints, guarding installation.

Third, this frees up coalition forces for the mobile sophisticated offensive operations that they are so good at.

And, finally, these new Iraqi forces reduce the overall security demands on coalition forces and speed the day we can bring our troops home.

Security is the first and indispensable element of the

President's plan, but it is not by itself enough to assure success. A good security system cannot persist on the knife edge of economic collapse. When Saddam scurried away from coalition forces, he left behind an economy that was ruined not by our attacks, but by decades of economic mismanagement. There was a substantial underinvestment across the economy in all areas of infrastructure. Much is made of the underinvestment in electric power, and that is a major element of this supplemental. Saddam left also a Soviet-style command economy, a model that was made worse by cronyism, theft, and pharonic self-indulgence by Saddam and his intimates.

Important changes are under way. You may have read that the Minister of Finance announced a bold series of economic policies in Dubai on Sunday, including the region's most open foreign direct investment law, the independence of a central bank, and the simplification of a tariff regime. On October 15th, Iraq will get a new currency.

These progrowth policies should bring real sustained growth and protect against something we have all seen and regretted, economic assistance funds disappearing into a morass of poverty.

The way I look at it, the Iraqi Government has put into place the legal infrastructure that is necessary for good economic growth; but that growth cannot happen if Iraq has to reestablish itself with an unreliable electrical grid or an unreliable security environment.

We have made significant progress in restoring these essential services, Mr. Chairman, but much more needs to be done, and that is why the President is requesting almost \$15 billion for infrastructure.

You and the members of the committee know the main elements of the supplemental. Let me just quickly repeat them: About \$5.7 billion for the electrical system; a little over \$2 billion for oil infrastructure; 3.7 for potable water and sewer system--the Chairman mentioned the lack of sewage system throughout the country--and water resources.

The final area is moving forward on political reform, and here, Mr. Chairman, there is good news. We have encouraged a quick political transformation and transfer as fast as is reasonably responsible of sovereignty to the Iraqi people. Three of the seven steps necessary for this transformation have already been taken. You mentioned the Governing Council which took office on July 13th.

In early August, the Council took the second step by appointing a preparatory committee for the Constitution. The third step was the appointment of 25 ministers to run the Iraqi Government 2 weeks ago.

Four steps remain along the path: Convening the constitutional conference and writing the Constitution; next, getting that Constitution ratified by the Iraqi people; sixth, holding free democratic elections; and, finally, the transfer of sovereignty from the Coalition Provisional Authority to a sovereign Iraqi Government.

There has been some pressure from some of our friends and some members of the Governing Council to shortstop and short-circuit this process. Mr. Chairman, I think that would be a mistake. This is a government that has been under a

totalitarian regime for almost four decades, and we need to be sure that they put in place the proper political and constitutional framework before we move to sovereignty.

Every part of this plan, Mr. Chairman, depends on every other part. This is an integrated request, and it requires the help of the American Congress. Taking the lead, the United States can help restore Iraq as a democratic model not only for the Iraqi people, but for the people of the region. We cannot simply pat the Iraqis on the back, tell them they are lucky to be rid of Saddam, and then ask them to go find their place in a global market. To do so would be to invite economic collapse followed by political extremism or terrorism. Not only will we have left the long-suffering Iraqi people to a future of danger and deprivation, we will have sewn the dragon's teeth which will sprout more terrorists and eventually cost more American lives.

Make no mistake, Mr. Chairman, these funds represent an investment in American national security, as Congresswoman Lowey pointed out in her opening statement.

Mr. Chairman, members of the committee, we respectfully ask Congress to honor the President's request which responds to the urgent requirements to achieve the vision of a sovereign, stable, prosperous, and democratic Iraq, at peace with its neighbors. And as you said, Mr. Chairman, in your opening remarks, I do not believe this should be seen as a partisan issue. Like the Marshall Plan, it is important that all of the American people understand what is at stake in Iraq and support this request. I look forward to your questions.

Mr. Kolbe. Thank you very much, Ambassador Bremer.

[Ambassador Bremer's written statement follows:]

GRAPHIC(S) NOT AVAILABLE IN TIFF FORMAT

Mr. Kolbe. General Abizaid, we will ask you for your opening statement. And following that, I will call on Chairman Young and Mr. Obey for their statements.

General Abizaid. Well, thank you very much, Mr. Chairman. It is an honor to be here.

I know that all of you know that there are over 200,000 of our sons and daughters that serve in the Central Command's areas of operations. They do an absolutely outstanding job protecting our country. They serve in the East from Kyrgyzstan and the West to the Horn of Africa. Foremost among the missions that they have and the very, very difficult missions that they have is bringing stability to places like Afghanistan and Iraq. These are very, very difficult missions, they are very challenging missions, and they are very dangerous missions, but they are up to the task. We need to give them the tools to win, and I would ask you to support this supplemental. Thank you, sir.

Mr. Kolbe. Thank you very much. Your full statement, of course, will be placed in the record.

[General Abizaid's written statement follows:]

GRAPHIC(S) NOT AVAILABLE IN TIFF FORMAT

Mr. Kolbe. I would like to call on Chairman Young for some opening remarks.

Chairman Young's Opening Statement

Mr. Young. Mr. Chairman, thank you very much. And personally, I want to thank Ambassador and the general for being here today. It is important that we vet the issues before us. I believe, having been counting votes on appropriations bills for a long time, I am satisfied we are going to pass this supplemental without too much difficulty, but I think it will serve the President well and the Congress if we know as much about it as we can so that our constituents back in our districts understand where we are, where we are headed, and what it is going to take to get there.

I would tell you that it is important that we finish this mission. I just want to emphasize that. You have made the points very thoroughly. And it is very important that we protect our troops who are there to carry out this mission, and they should be provided whatever is required.

I would say to the general that I am a little distressed as I visit with the wounded soldiers and marines who come back from Iraq, Afghanistan, and now Liberia with malaria. One story that I heard and I really found hard to believe, that a lot of our kids were there without body armour, and some who had the vests didn't have the plates to go into the vests. I talked to General Schoomaker about that. He said, if that is true, he is going to fix it, and I think that is important.

But that is just an aside. It is important that we get this bill passed quickly. I understand that in some cases you have actually run out of money or are about to within a few days. So the question that you would have is how soon can you expect this bill to be passed? And I will tell you that this hearing today is the first of our hearings. Chairman Lewis, who was here, and you met with he and his subcommittee earlier today, will leave this weekend to go to Iraq, and when they return, we will determine whether or not they need to hold a hearing. And, as Mr. Kolbe said, that next week there will be another hearing with Secretary Armitage and others. It is my intent then to assimilate the information that we develop and take this bill straight to the full committee and save the time of going through each of the subcommittee markups so that we can have a responsible piece of legislation that we can put on the floor quickly; probably not as quick as some would like, but maybe quicker than some would expect. We are going to move it quickly.

But we do need to know--there are going to be some tough questions here, and you should not feel that those questions indicate a lack of support, because that is not the case. But there will be some tough questions, and it is just so that we are able to perform our constitutional role as providing oversight for appropriations.

There is one thing that I would like to mention. There is a lot of things I would like to mention, but I am not going to use up the chairman's time here. When I hear you talking about a reconstruction and rebuilding, I think it is important that we make the case that we didn't destroy this infrastructure. We

are not rebuilding or reconstructing something that we damaged or that we destroyed. We are working to build an infrastructure for the people of Iraq that Saddam Hussein destroyed and allowed to deteriorate over these many, many years. And when the world, or at least some of the world, goes to the donor conference next month in October, I think that point should be made very strongly; that we didn't destroy Iraq's infrastructure, but we are willing to help build it back so that the Iraqi people can have a decent standard of living.

You all have a tough job, and I want to be here in support of what it is that you have to do. I want to support the President. I know that when he moved out on this mission, he felt like the United Nations had voted to condemn Saddam and everything that Saddam was doing, but when it came to walking the walk, the U.N. sort of backed out on us, and we found ourselves going it alone, and that is not always easy. But I applaud the President for being willing to recognize this blight, especially on the free world, and be willing to do something about it.

And, you know, we passed the defense appropriations bill today, and we also passed the Homeland Security appropriation bill. The way I see it, what we are doing in Iraq, what you are doing in Iraq to make this a peaceful nation that will not be a threat to anyone, is a very important part of our own homeland security, because if we don't stop the aggressor or the would-be threat to our own interests--and we are talking today about terrorism and the real association that Saddam had with terrorists and al Qaeda--we are not doing everything we could to protect our own homeland.

And so you will find us to be good allies. You will also find us to be penetrating in our questions in trying to determine answers to questions that we have so that we can go to our constituents and to the country and know that we are doing our oversight job as required by the Constitution.

Mr. Chairman, thank you very much.

Mr. Kolbe. Thank you, Mr. Chairman, for your participation and, as always, thoughtful comments.

Mr. Obey.

Mr. Obey's Opening Statement

Mr. Obey. Mr. Chairman, this request is by far the largest supplemental request in the history of the Republic. It amounts to more than \$1,000 for every working-age family in America, and it is much larger than all but three of our regular appropriations bills. It is, in fact, nearly as large as 7 of the 13 bills that we pass each year. It is more money in unadjusted dollar terms than the entire defense budget during any year of the Vietnam War. The Iraq economic reconstruction portion of this package alone is more than 20 percent larger than the regular foreign operations bill produced by the subcommittee only a few months ago.

Because we had allies who were part of the take-off and helped pay the bills, the first Iraqi War cost us less than \$8 billion. This ``my way or the highway'' operation has already cost us far more than \$60 billion, and we are now being asked to spend \$87 billion more. Going it alone is expensive. But

this hearing is also important because it is an opportunity to try to rebuild a consensus about our policy in Iraq, at least domestically, even if the prospects of doing that internationally are fairly dim.

I voted against unilateral invasion. I did not believe that the administration had produced sufficient evidence of an imminent threat to the United States. And the President himself has finally admitted that we had no evidence of Saddam's involvement in 9/11. That is a direct quote.

I also believe that the greatest problem posed by an invasion of Iraq was the prospect that we would gain control or at least nominal control of a country that neither ourselves nor anyone else could afterwards govern. That concern appears to have been all too well placed.

But this request is not about whether the war was a good idea or not. I recognize that the reality of our current situation is that Iraq under Saddam may not have posed an imminent threat to the United States, but what ultimately replaces Saddam could be highly problematic to our interests and even our security.

Prior to the U.S. invasion, there were probably fewer terrorists plotting against the United States from Iraq than from most other countries in the region such as Iran, Saudi Arabia, Yemen, Syria, and Pakistan. That situation has changed dramatically. While Iraq is not currently a safe haven for anyone, it has certainly become a haven for precisely the individuals and organizations that do target our country.

Further, the failure of the United States to install a stable government after the bloodshed that resulted from the invasion would create an environment throughout the Arab and Muslim worlds that would be highly conducive to organizing further attacks against the U.S. If an unfriendly government emerges, we face the prospect of an oil-rich country with a government interested in pursuing a nuclear program and no international sanctions to hinder that interest.

So the stakes here are obviously huge, but that does not mean that I will automatically support this request. We have a responsibility to the American people and to the troops in the field to provide those funds that are necessary to protect the lives of American servicemen and to effectively accomplish the difficult mission before us, but the ugly truth is that the \$87 billion in this request is no more than a down payment. Even the most optimistic estimates about security, political stabilization, oil production and prices, reconstruction and economic recovery will produce more requests from the administration for additional amounts of U.S. taxpayer money to pay for this operation.

The question today is whether the administration can demonstrate that it has a carefully developed plan of action that will turn the situation in Iraq around, that it has cleansed itself of the mentality that got us into this mess, and that it is capable of explaining in detail what money is needed and why it is needed, and that there is a reasonable chance that the overall plan will succeed. We cannot afford a flawed product that will not offer a reasonable prospect for success or does not carefully target funds toward the highest priority needs.

And, last, we ought to pay for as much of this request as possible. Ambassador Bremer referred in his statement, and we have heard several other references, to Harry Truman and the Marshall Plan. I would submit that the difference between Harry Truman and this administration is that Harry Truman paid his bills. Harry Truman was the last President to balance the budget over his full term of office. That is quite a contrast to the existing administration.

I would also say that there is another difference. The Marshall Plan was never popular. If you go back and look at the public opinion polls, it was never popular with the American people. But it was one of those foreign policy grace notes that the public allowed the President to pursue because the American people knew that good old Harry was taking care of the problems at home, and that also is a very big difference between then and now.

And so I would submit that if this package is in trouble with the public, it is in trouble precisely because they see such a difference between the way Harry Truman took care of the problems at home as well as abroad versus the economic neglect that we face in this country now in comparison to the funds that are being requested for Iraq. Every dime that we spend in Iraq will be financed with debt, and that will be passed on to our children and will prevent us from making needed investments in education and health care here at home unless we find a way to pay for it now.

If we are serious people, we cannot avoid tough choices. If it is truly important for us to spend this money for this mission in Iraq, the money that the administration has requested, then this President and this Congress must face the fact that we cannot afford to continue to provide \$88,000 tax cuts for people who make over \$1 million a year. We must rethink our actions on taxes in light of these new circumstances.

Now, I expect this hearing to be a rocky one at times. I hope the two gentlemen before us today understand that we know that they are fine career servants of the American people. One is a diplomat, the other is a warfighter. They represent the very best that this Nation produces. We do not want to find ourselves shooting the messengers, but this hearing today will be conducted in large part in the wake of huge miscalculations, and our problem is that the people who are at the witness table today are not those who are responsible for those miscalculations; they reside in the civilian leadership at the Pentagon and will not be answering these questions today. I find it highly ironic that the administration that has so frequently ignored the counsel of top-notch career State Department and military personnel would now be relying on two of the very best of them to make their case on Capitol Hill.

Gentlemen, I welcome you. I know you both have tough jobs to do. We don't unless we do ours right, and I hope we do.

Thank you, Mr. Chairman.

Mr. Kolbe. Thank you very much, Mr. Obey.

All right. We are going to go to questions and answers. And let me explain the ground rules. At the request of the Minority, we are going to go for a little longer time. It is going to be 8 minutes per person. I have a timer up here which

will beep at the end of each 8-minute segment here. We will be absolutely rigid, including myself, on the time because we have to allow enough time for everybody to get in a round of questioning. I know that Ambassador Bremer has to leave by 5 o'clock or a few moments thereafter, so we will be quite strict about timing. I will allow you to finish your sentence; but if you are asking a question, there may not be time for an answer for that question. And similarly, the witness will be asked to finish at the end of that sentence.

We really have to follow these rules if we are going to allow everybody to have a chance. You can control your own time if you are getting a long answer from somebody, from one of the two out there that are testifying; you can cut them off and say, let us move on with the question here to the next part of it.

And I don't think we will have time for more than one round of questioning here. And, as usual, we will take it on the order of the people arrived. After we do the Chairman and Ranking Members, we will do it on the order the people arrived from the moment we struck the gavel.

And, with that, start the timer for me here.

I want to start with General Abizaid. General, there has been some that have suggested that we should separate the amount of the money that is in here: Part for defense and part for reconstruction. I think there are others that obviously feel that this would be a serious mistake. Can you tell us, as the commanding general at CENTCOM, how important are the dollars that we are spending on reconstruction and to bring about Government in Iraq, and to the security of your forces there?

General Abizaid. Thank you, Mr. Chairman. I believe that they are inextricably linked. And I think it is safe to say to the committee that--and they realize that there is no strictly military solution of the problems that we face in my area. It requires that we move together on the political front, on the economic front, on the reconstruction front in a manner that is synchronized and coordinated. If we don't do that, I do not believe we can be successful. So you can pay the military to stay there, but you are only paying us to stay forever.

You have to, in my mind, fund the reconstruction, in particular the security portions of the reconstruction. But I am sure Ambassador Bremer can give you plenty of reasons why we need to fund all of it as well.

So I think they are inextricably linked. I do not believe that General Sanchez can win the war in Iraq. Ambassador Bremer can. And he needs everything brought together in a unified package.

Mr. Kolbe. Thank you.

Ambassador Bremer, I am going to go to you next. But would you like to add a comment, a quick comment.

Ambassador Bremer. I would just agree with General Abizaid. As I said in my opening statement, this is an integrated package; it all fits together.

Mr. Kolbe. Thank you.

Ambassador Bremer, I want to ask you, it is really not so much a question as a statement, and I would like to see whether you agree with this. Just so I would put this in the context of

what we are requesting, the \$20.3 billion that is in here for reconstruction, as I understand it, this is to cover reconstruction in Iraq over the next 15 months of reconstruction expenses, basically the remainder of calendar 2003 and all of calendar year 2004. Reconstruction costs will be reflected in the President's regular fiscal year 2005 budget request that we would receive as normally in February. And the appropriated funds that we have here are not paying for the regular Iraqi budget expenses that would be covered by oil sales and future donations from other countries. Is that essentially an accurate statement?

Ambassador Bremer. Correct on all counts.

Mr. Kolbe. Thank you. Then I don't need to go any further with that one.

Ambassador, this is a big question, and I think also extremely important for all of us here. When we did the last supplemental, the Coalition Provisional Authority did not exist, and we provided \$2.5 billion for Iraqi relief and reconstruction from the ERF, as it is called, funds that were apportioned to other agencies and your organization. CPA is not, as you know, an authorized--doesn't exist in law, and as far as I know, there is no Executive Order that creates it.

My basic question is what are the legal authorities, as you understand them, under which you and the people in your team operate? What are the legal authorities that you have for contracting, for personnel, for hiring, for firing? What is your understanding of that?

Ambassador Bremer. I do not do any contracting, Mr. Chairman. I don't know what the form is in which I was appointed by the President, whether it is technically an Executive Order or--it was signed by the President, so I guess it is an Executive Order. But I am not an attorney, so I don't want to be caught up on that.

When the President appointed me, he gave me authority over all U.S. personnel and resources, civilian and military, in Iraq except those serving under the command of a theater commander, which is a standard statement of authority that is reflected in the law for most ambassadors--for all ambassadors, for all Presidential ambassadors. That is my authority.

Mr. Kolbe. Contracting then is done by--well, where does your paycheck come from, if I might ask?

Ambassador Bremer. My paycheck comes from the Pentagon.

Mr. Kolbe. From the Pentagon. From the U.S. Army.

Ambassador Bremer. As an executive agent.

Mr. Kolbe. That is correct. And, in fact, there is a line in this supplemental for all the overhead and operating expenses of the CPA; Is that correct? It is in the Army's personnel.

Ambassador Bremer. That is correct.

Mr. Kolbe. Okay. So contracting then is done by the different agencies to whom the money is assigned?

Ambassador Bremer. Yes. And I would say here, Mr. Chairman, because I know it is of concern to the committee, my intention is to work closely with OMB to be sure that any appropriated funds are apportioned quickly to the appropriate implementing agency. And I intend to look at the capabilities of all U.S. executive agents, whoever may be the most appropriate one, AID,

State Department, Justice, the Army, whoever it is, those people who have contracting authority. And the money will be expended, as I said in my opening statement, through an open, transparent process.

Mr. Kolbe. Ambassador, that leads me then into my next question, which I hope I can get one more in. There is a lot of money in here for construction of infrastructure and facility projects, \$5.675 billion for electricity, \$875 million for water resources, on and on. Can you tell us, what are the roles and the missions of the various Federal agencies in executing this plan?

What is going to be carried out by USAID, Corps of Engineers?

I mean, yesterday we heard in our staff briefing from your staff that a certain amount is going to be taken over by USAID. How is that decided, how much are going to take over on the electricity, for example?

Ambassador Bremer. Well, let me state the general point, and then I'll answer that.

I am going to set up a project management office which is going to oversee all of these, because it is a lot of money. We have already got a contracting office setup with, I think it is 15 contractors there. We're going to have 19 auditors in place already from the Defense Contracting Agency, so we are watching the money carefully. It will be on a case-by-case basis.

I understand, as we put this supplemental together, officials from AID expressed interest in some parts of this, and we will obviously then look to them to carry out those. I think they are, sir; they expressed an interest in something like \$700 million worth of the electric power projects that are in here. I expect those would go to AID, but I am going to try to keep an open mind and instruct my project management office to keep an open mind, and we will use that obviously, working with OMB and through the OMB with the committee on the apportionment.

Mr. Kolbe. One more follow-up, and this will be the last question. It is very important because it has to do with some of the provisions of our legislation which would require some reporting. And I don't think you would object to some reporting so you would be able to see how the progress is coming.

Are you going to be able to give us some specific benchmarks, some metrics, some milestones, some things?

Ambassador Bremer. Yes, sir.

Mr. Kolbe. How are we going to measure the success? Just take one thing. Electricity, are you going to measure in number of megawatts, number of homes that have hookups, meters that are on?

What are going to be the measurements?

Ambassador Bremer. Well, we do have, and we will provide to the committee those metrics on each of these major events.

We are going to look for megawatts, in the case of electricity. In most cases, we have targets over the next 2 years for megawatts generated, but each project will have, obviously, milestones, what happens in 6 months, what takes 9 months, what happens in 10 months.

Mr. Kolbe. Thank you, and we will be looking to have those very closely on hand when we get started. And I am yielding

back 5 seconds.

Mrs. Lowey. Thank you very much, Mr. Chairman. I would like to focus for a moment on the public safety sector.

One of the frustrations that we are having with this request, Ambassador Bremer, is trying to gain some understanding of how these cost estimates were put together and precisely what the American people are getting for this \$20 billion. One example I want to cite is the \$800 million requested for international police training. Material you have provided indicates that this will pay for 500 field training offices, which translates into a cost of \$530,000 per trainer.

In my statement, I cited the \$400 million requested for two new prisons at a cost of \$50,000 per bed. Other information indicates that it costs \$200,000 per man to field consultants in the security area. I would like to ask you three specific questions following up, and then whatever time you have I would appreciate it if you can submit it in writing.

Does it cost \$530,000 to field each international police trainer? How much does that pay for? How long will it be deployed? What can we expect of an Iraq police force and when can we expect an Iraq police force to be in a position to fully assume all police functions in the country?

And what assumptions have gone into the \$400 million requested for two new prisons at 50,000 per bed? Are we paying a premium for this work? Are the designs for maximum security something less?

There are \$200 million requested for security programs for a court system of Iraq, which includes protection of 400 judges and prosecutors at a cost of \$50,000 per person, and hardening and X-ray machine installation for 130 courthouses at a cost of \$1.3 million per courthouse. While I do not question the need for this, I wonder, are these judges in place today? What are their salaries? How will security details be handled, given the shortage of trained security personnel? And why is it necessary to harden all 130 courthouses?

Now, in my opening statement, Ambassador Bremer, obviously we talked about many general goals. I cite these specific examples not because I expect you to be able to give me all the details today, but as you know, as the overall administrator, I do believe you have a responsibility to come to us with specifics; and when we see items like this, it really raises my eyebrows and causes me great concern. And I would be most appreciative, the extent to which you could respond to or follow up with some other explanation.

Ambassador Bremer. Okay, thank you. Those are perfectly reasonable questions. Let me answer them to the degree I can without commanding all the details in the case.

In the case of the police, let me just give the broad picture. We have 40,000 police now on duty. They are basically police from the old regime; they therefore are really not adequate. We are putting each of them through a 3-week refresher training course in human rights and trying to teach them how to do standard investigative practices, which they did not have. We need to double the size of that force to 80,000.

The 800 million here basically gets us from the 40 to 80,000--sorry, from the 40- to the 80,000. This about a year-and-a-half. It is very expensive. It is extremely expensive. We

are hoping--we have been able to shorten it and reduce the number of trainers by working with the Jordanians to do much of the training in Jordan, but the police trainers are expensive.

Mrs. Lowey. \$530,000 for police training?

Ambassador Bremer. Well, there's more in there than that, I can't go through all of the detail. I think the cost of the trainers is more than a couple 100,000, but that is a loaded cost--salary plus, obviously, logistics and so forth.

It is absolutely essential that we get a competent police force; and in the long run, Iraq security, like the security of any country, depends on a good police force--doesn't depend on an army, shouldn't depend on an army. Armies are not for internal security; it depends on a police force.

This is an urgent, very important thing. It is very expensive.

Mrs. Lowey. Let me say, Mr. Ambassador, I understand the concerns and I understand the urgency, but I personally, given our oversight responsibility, would be most appreciative for some understanding of how these numbers are computed. It almost looks to us as they were thrown into a box and pulled out.

Ambassador Bremer. No.

Mrs. Lowey. Because the cost is so great. And how many more minutes?

Three minutes.

Because my time is so limited, perhaps you can respond to us and you can respond to us in detail.

And let me deal with another area, security forces. In my review of the plans that were submitted to us, the plan calls for establishment and training of a myriad of at least 10 separate security-related forces at a cost of over \$4 billion. We have the plans--we have the obvious plan for a new army and police force, but we also have plans for a separate security force to guard oil facilities, traffic, customs, border police. They are all separate organizations, according to the plan. Fire, civil defense, these are all separate organizations.

Now, a separate group will do security for the electricity commission. We not only have requests to hire and train all these forces separately, we also have a request of \$274 million to build three new public safety academies to consolidate their training.

Ambassador Bremer. Correct.

Mrs. Lowey. Now, was any thought given to consolidating the security forces, similar to our own Homeland Security Department, in order to speed training and save money?

When do you anticipate that the three new public safety academies will be functioning, when can we expect any one of these 10 new security forces to be functional?

Ambassador Bremer. Yes, we did consider that. Most of these forces, in fact, are under one single command, which is the ministry of interior, so it is as if they are free floating. None of them are under one ministry. I am trying to look to see when the actual new facilities are supposed to be up and ready.

The first--of course, the military is already under way, the army, as I said; the first battalion will graduate October 4. The other--the other training is already under way for the police--as I said, the refresher training.

We already have hired some of the facilities' protection

services. The oil ministry has--is paying for some oil police out of its 2003 ongoing budgets, and the same is true for the electricity ministry, so some of these forces are already in being.

The Iraq civil defense corps is already being recruited.

We have four battalions already?

General Abizaid. Four.

Mrs. Lowey. Mr. Ambassador, I am not questioning the goals and I am not questioning the plan. I am questioning, and I think we have a responsibility to request a justification for those extraordinary numbers.

Twenty-eight seconds left.

Telephone numbers I referred to. It includes \$4,000,000 to develop a nationwide numbering system and a 911 emergency response system. Why would it cost \$4,000,000 to develop a new system of telephone numbers?

I only have 11 seconds left, and I want to explain to you again how much I appreciate your courage and that of the General in coming before this committee. But we have the responsibility, and I would hope that those who have the specific information could respond to us in detail.

Thank you very much.

Mr. Kolbe. Thank you, Mrs. Lowey.

Chairman Young.

Mr. Young. Thank you, Mr. Chairman.

Mr. Ambassador, Iraq has a lot of wealth, a lot of natural resources. They also have a lot of debt. I am not sure whether their resources are paying off that debt.

Is there any plan that any of the funds in this \$87 billion request would be used to pay off Iraq's debt to other nations?

Ambassador Bremer. No.

Mr. Young. Would there be any objection if we had a line in there that said that none of the funds could be used to repay Iraq's debt?

Ambassador Bremer. I certainly wouldn't object.

Mr. Young. I want to talk to you about Ahmad Chalabi. If it is politically sensitive, that's okay, don't respond. But we have--here is a fellow that we have nurtured and kept for years as an Iraqi opponent of Saddam Hussein, while he enjoyed life in the United States, and I believe maybe the Department of Defense more so. You weren't involved there at this point, but maybe the Department of Defense has something to do with Chalabi being put in an important role in Iraq after the war was declared to be completed.

But now it seems like he is no longer one of us. He seems to be one of them now, and it appears to me that he is supporting moving the U.S. interests out quickly so that there can be a new government in Iraq, which I expect that he intends to head.

Can you--can you tell us where--where Chalabi is, why he is there, what effect he is having on what you're trying to do?

Ambassador Bremer. Well, I met Dr. Chalabi only after I moved to Iraq myself, of course. I had never met him before. He is a respected member of the Governing Council. As it appears, the Governing Council has a rotating chairmanship, and he is chairman of the Governing Council this month which is why he is leading the delegation to the United Nations.

These days, as you said, he has called for a very quick turnover of sovereignty to the Governing Council. As I mentioned in my opening statement and I have said publicly, we do not agree with that. The President's program is quite clear. There has to be a constitutional process, and again I think for most Americans it is pretty clear that you don't rush to elections before you have a constitution nor, in my view, is it appropriate to turn over to a nonelected body, which is what the Governing Council is, responsibility for appropriated funds.

He also wants to spend the \$20 billion, and I frankly don't think that is right.

Mr. Young. What role--regardless of who is chairman this month or next month, what role would the Governing Council have in making those decisions?

Ambassador Bremer. On--on the constitution? You mean the political decisions?

Mr. Young. On the creation of a government.

Ambassador Bremer. Yeah.

Well, they will have a very important role because they have the responsibility now--we have given them the responsibility to convene a constitutional conference or a constitutional convention to write the constitution. They are expecting a report from their preparatory committee next week on the alternatives of how to go about doing that, and they will then have to decide how to convene that convention.

Mr. Young. Mr. Ambassador, some have suggested that this whole effort on the part of the United States was to get control of Iraq's oil. I don't believe that. I believe that the President's motives were very genuine.

Would you--will you comment on that, what is happening with those?

Ambassador Bremer. Well, I heard that allegation and I simply reject it. In fact, we have been meticulous in respecting the Iraqi people's desires to control their oil, their oil resources. Every single dollar that comes from oil revenues today in Iraq goes to the Iraqi people.

When they passed this new foreign direct investment law that I referred to in my opening statement, the Iraqi Governing Council and minister of oil excluded natural resources from an area that is open to foreign investment, and we said, That is fine; that is your national right to do that. And we are perfectly comfortable with that.

Mr. Young. Mr. Ambassador, thank you very much.

General Abizaid, thank you very much for the very important role that you played during the, quote, ``war,' ' unquote, and postwar. We appreciate both of you very much and have just great confidence in, if anybody can get this job done, that you guys can lead it.

Mr. Chairman, thank you.

Mr. Kolbe. Thank you very much, Chairman Young.

Mr. Obey.

Mr. Obey. Thank you very much.

I would like to follow up on Chairman Young's questions about Mr. Chalabi, Ambassador Bremer. It would be my judgment that you will have great difficulty being able to reconstruct Iraq until you get control of the security situation and that

you will have difficulty getting control of the situation, the security situation, if all of the ethnic and religious elements of the country are not reasonably comfortable with the political framework in which they are all being placed.

I would think that would, in particular, apply to the Arab Sunnis.

Chairman Young has referred to Mr. Chalabi, and I have a lot of questions about him and his ability to work with all peoples, but let me ask a simple question: Why was Mr. Chalabi appointed to the Governing Council in the first place since he hadn't lived in the country since the late-1950s and represented nobody, as far as I can determine?

Ambassador Bremer. Well, Congressman, without going into detail on particular people, the Governing Council is made up of 25 men and women of whom 11 did not live in Iraq during Saddam's time.

Mr. Obey. Because of the time limit, let's confine it to Mr. Chalabi. Why was he appointed?

Ambassador Bremer. Dr. Chalabi represented a party with significant experience in Iraq in the resistance, as was the case with many of the other people who had not lived in Iraq. There is nothing--what I am trying to say is, it is not surprising that he was appointed.

Many people, 10 others, did not live in Iraq.

Mr. Obey. Did any of the political appointees at the Pentagon discuss his appointment with you prior to your decision to place him on the council?

Ambassador Bremer. No. No, sir.

Mr. Obey. None whatsoever?

Ambassador Bremer. No.

Mr. Obey. The Jordanians, who are consistently our strongest allies in the Arab world, say this man is a crook and a charlatan. The CIA has been implying that for years, certainly privately, if not publicly, and so have several people at State.

I have great difficulty understanding why, if we are trying to win the hearts and minds of people in that part of the world we would appoint someone to that council with that reputation.

Let me ask you another question. Has Dr. Chalabi--or any business he owns or any of his family members, have they in any way received any contracts in Iraq or any payments of any kind?

Ambassador Bremer. Not to my knowledge.

Mr. Obey. Are we certain of that?

Ambassador Bremer. I am certain of it. I don't--you know, I can't tell whether there may be companies owned by some cousin somewhere, but to my knowledge, none at all.

Mr. Obey. Thank you.

Cost, I hate to legislate on the basis of loss leader principles. I like to know that we are not just making a down payment.

Can you tell us what is your best professional estimate, and I would like this from the General as well--assuming that the administration gets its way on the timetable and other issues--what is your best professional estimate of how much we will be asked to appropriate over the next 5 years above and beyond what we are being asked to provide today?

Ambassador Bremer. On this--on this, we have said very

clearly that this is the amount which we believe the United States needs on a supplemental. We do not anticipate coming back to Congress with another supplemental of this magnitude for Iraq, as the chairman has said----

Mr. Obey. The question--with all due respect, you are playing with words when you say ``another supplemental.'' That doesn't preclude the fact that you may build into next year's budget request additional funding.

Ambassador Bremer. That is possible. That is possible.

Mr. Obey. So let's not play word games here.

What I want to know is, in addition to this supplemental, how much can we expect to lay out through any device, whether it is regular appropriation bill, supplemental or theft, whatever you want to include, how much can we expect that we will be asked to appropriate through any spigot, through any faucet, over the next 5 years.

Ambassador Bremer. I can't answer that for the military.

Mr. Obey. Because we were told by OMB--well, I'll ask you.

We were told by OMB in March that there would be nothing beyond what they asked us for then.

Ambassador Bremer. Right.

Mr. Obey. They only missed it by 87 billion bucks, so I want to know, what can we count on? If we approve of this, what are we getting ourselves into for the next 5 years in terms of dollars?

Ambassador Bremer. I don't have a figure for you, Congressman. It certainly is nothing like this, because we have, in constructing this supplemental, we have said what is it that the American Government should do in the next 12 to 18 months to get the Iraqis to a place where they will be able to do their own reconstruction, and that happens by the year 2005.

Mr. Obey. Can you tell me, when our staff talked to you, we were given estimates of \$14 to \$16 billion for rebuilding the electrical system, \$14 to \$16 billion----

Ambassador Bremer. Right.

Mr. Obey [continuing]. For dealing with the water system.

Ambassador Bremer. Correct.

Mr. Obey. We have far less than that in this package, and I think the President hardly met with spectacular success in his appeal to the U.N. yesterday, so those private estimates don't match what you are telling us.

Ambassador Bremer. Congressman, no, I am afraid you are mixing two things up.

Mr. Obey. I hope so.

Ambassador Bremer. The World Bank has estimated Iraq's need at \$60 billion over the next 4 to 5 years. That is sort of the macro number.

What we have said is, okay, of that need, how much is urgent and serves American interest, security, critical infrastructure, and can we do it quickly?

Our fair share, we said, an urgent amount and essential, is \$20 billion. We are not planning to spend, as you point out, \$16 billion on water, which is the U.N.'s number. We are not planning to spend \$13 billion on electricity, which is the U.N.'s number, because we do not consider that to be urgent and right away, so one should not take the World Bank's \$60 billion as a mark and say, sooner or later America is going to have to

pony up for that. That is not the plan.

Mr. Obey. General, what about the military side?

General Abizaid. Well, Congressman, as you know, the military costs are very much associated with the number of troops in the region, and currently CENTCOM is operating at about 10 times what it has normally operated with in terms of the number of troops. But when you look at the security situation in the region--and the CENTCOM area is really at the heart of the global war on terrorism--that doesn't only include Iraq, it also includes Afghanistan.

I would not be able to make an estimate on how many----

Mr. Obey. Seventeen seconds left, if I could ask you to supply that for the record.

And tell me, how much do you estimate the total reset cost to be for all of our equipment over there now?

General Abizaid. Sir, I would have to provide that for the record. I don't have those figures. I mean, we have been told it could be as much as \$15 billion.

Mr. Obey. Is it that far off?

General Abizaid. Sir, I would not want to guess. I will have to provide it for the record.

[The information follows:]

Estimating the total reset cost for all our equipment currently in Operation IRAQI FREEDOM is best answered from sources outside USCENTCOM because the Services are responsible for these efforts under Title 10, US Code. I am aware that OSD is preparing a brief for Members of Congress.

As mentioned previously, the Services and OSD are clarifying their estimates.

Mr. Obey. Thank you, Mr. Chairman.

Mr. Kolbe. Thank you very much, Mr. Obey.

We will next go to Mr. Knollenberg.

Mr. Knollenberg. Thank you very much.

Ambassador Bremer, I think it is entirely appropriate that the two of you are here together today, because we are asking questions that relate to both of you. Sometimes I suspect there is a mixture. Our reconstruction mission and our military mission, I think, are strongly linked.

As I see it, the funding for reconstruction in Iraq is directly related to supporting the mission of our troops there. For example, there is in your request \$2.1 billion to equip and train the Iraqi forces. This is the army. There is about \$76 million for the civil----

Ambassador Bremer. That's right.

Mr. Knollenberg. I think you called it civil defense group.

Ambassador Bremer. That's right, civil defense corps.

Mr. Knollenberg. In order for our troops to be successful, I think there must be a functioning Iraqi army in place, the sooner the better. I think you've got some goals along those lines.

And the other thing I would say, too, is that our ability to root out terrorists depends in part on the Iraqi people, and I don't know how successful that is right now. In a word or two, could you comment on that?

Ambassador Bremer. Yes. Actually in the last 2 months or so

we have seen an increasing number of Iraqi citizens coming into either the Iraqi police that have stood up or to our tactical commanders in the field with information about criminals, terrorists and Baathist loyalists and that has led to more detentions and arrests of those people.

Mr. Knollenberg. General, would you have a comment on that?

General Abizaid. Yes, I would say there are three variables. One is the security situation, obviously; the other is the number of international forces; and the third, which I consider most important, is the number of Iraqi security forces. The more that we build up Iraqi security forces, ultimately the less we will have to provide in Iraq itself, and we are very satisfied with the direction that we have taken. We believe that acceleration of Iraqi security capacity will, over time, allow us to draw down.

Mr. Knollenberg. In establishing these basic services, I think it is also important to having a positive relationship with the Iraqi people.

Ambassador Bremer. Well, absolutely. I think you will find Iraqis more persuaded to cooperate with us if they have the essential services.

You may have noticed a poll that was released yesterday, Gallup Poll, which says despite all the hardships, two-thirds of the Iraqi people believe that it has been worth it to be liberated from Saddam, so the general political environment is favorable to us. We just have to fix the essential services.

Mr. Knollenberg. Thank you.

Would you, General Abizaid, comment on how the funding for reconstruction affects the mission of our troops. I know that--the chairman touched on this a bit, I think, in his questions, but would you give us kind of a picture of how it does connect with the troops?

General Abizaid. Well, clearly, clearly, the money in the reconstruction part of the supplemental includes all of the security services; and the security services, I would like to point out, are not unlike our own security services here at home. I mean, we have an Army, a Navy, an Air Force. We have local, national, and regional types of police forces, et cetera, and in rebuilding these forces, we will achieve a lot in being able to bring down our own levels and ultimately turn over Iraq to the Iraqis, which is our ultimate goal.

In regard to the other services, it is just so important, I think, that we provide an ability of the Iraqis to have--at least to show that they will have a better life ahead. And so, being able to show that the electricity can be repaired and brought back on, that the water systems, et cetera, can all work properly, all have a definite security component.

We know for a fact down in Basra there were riots that were directly associated with the lack of electricity, and the security component of it is that we have to protect the lines, of course, but we also have to ensure that we develop the capacity to feed civil demand at least to a minimal level.

Mr. Knollenberg. Let me go on to another topic. It is water.

I know that water has been a problem on a scale of 1 to 10, 10 being the worst and one being the best. What is the situation just quickly on the water? Is it extremely severe,

the quality of the water?

Ambassador Bremer. Yes, it is very bad. It is an area where there was almost no investment in infrastructure. As the chairman mentioned in his opening comments, only 6 percent of the population has access to sewage treatment.

Mr. Knollenberg. That is a figure, I picked up in doing some reading on this situation.

The water infrastructure, one of the comments that was made is that currently 60 percent of the potable water from treatment plants is being lost----

Ambassador Bremer. That's right.

Mr. Knollenberg [continuing]. Largely because of leaks. But under your reconstruction plan, that water loss will be reduced to 40 percent. I guess we are dealing with something that is really minimal in terms of any kind of strength.

Ambassador Bremer. Yes. And there again is an example of where we take an immediate need, we try to alleviate it, and we leave the rest to the Iraqis to figure out or other donors to figure out in the years ahead, but try to get it from 60 to 40 percent quickly.

Mr. Knollenberg. Is it countrywide, this water problem?

On a point that I might bring up, and I know money--we are talking about money here, but let me offer this:

I have been involved personally in doing some things back in my district. There is an organization or company, or several companies, that offer a technology; and what it really amounts to is simply this: Instead of replacing the entire infrastructure, the pipe, you merely put this sleeve in. It is a pipe within a pipe.

Ambassador Bremer. Mm-hmm.

Mr. Knollenberg. Much cheaper, less than a third as costly. They can put it in in no time; in fact, some will argue they can do it in a day. And it is a foam that they blow in. You have probably heard of this.

Does this have any application perhaps?

Ambassador Bremer. Might very well. I would certainly encourage them to be in touch with us.

Mr. Knollenberg. Well, I will tell you what I will do. I have got something I would like to include in the record because my time is a little shy. It is a liner, a sleeve, that coats the inner part of an older or a damaged pipeline; and this can double the life of a pipe at less than a third of the cost.

We have done that right in my own district, and I know they have done that around the country; so I think that perhaps is something that could be looked at, because those figures are scary. Because if you are going to get--60 percent of the potable water is only reduced to some 40 percent, that is not much of a gain.

I don't know if this application would work either, but with all the things you have got, all the problems you have got, \$3.7 billion, is it in the water and sewage money that is a part of this?

Ambassador Bremer. Yeah.

Mr. Knollenberg. That's something I would be happy to include for the record and be sure you get copies.

Is my time up, Mr. Chairman?

Mr. Kolbe. Forty-eight seconds.

Mr. Knollenberg. Forty-eight seconds, that's not much time to do anything with; but no, I don't yield back for the moment.

I am getting down to a point--the market economy, you are doing some things on that. On the 15th of October you are going to introduce the new Iraqi dinar?

Ambassador Bremer. That is right.

Mr. Knollenberg. Which will float against other countries' currencies?

Ambassador Bremer. Correct.

Mr. Knollenberg. Is that risky?

Ambassador Bremer. Well, I don't think it would be risky if we had a responsible fiscal policy, but since I am balancing my budget this year and next year, it is not that risky.

Mr. Knollenberg. But that is something that could be done.

I think maybe China could learn from that.

Ambassador Bremer. I have got my hands full in Iraq, Congressman.

Mr. Knollenberg. Well, thank you. Thank you both very much. I appreciate your response.

Thank you.

Mr. Kolbe. Thank you very much, Mr. Knollenberg.

Mr. Jackson is back and Mr. Crenshaw's on deck and before I call on Mr. Jackson, I think we should note that congratulations are due to what is probably, safely, the newest father in the room here.

Congratulations.

Mr. Jackson. Thank you, Mr. Chairman.

Mr. Kolbe. It is your turn.

Mr. Jackson. I want to start by welcoming Ambassador Bremer and General Abizaid to our subcommittee and thank them both for their service to our country.

Gentlemen, I want to follow up on a line of questioning begun by our ranking member, Mr. Obey. Depending on who you listen to, the overall costs of Iraq reconstruction range from \$50 billion to \$100 billion. Until this request arrived, every indication we have had from the administration has been that the initial \$2.5 billion, plus anticipated oil revenue and funding from other donors, would take care of reconstruction needs.

One administration official, who candidly estimated the costs of the war at \$100 billion to \$200 billion, Larry Lindsey, on 9-15 of 2002, is no longer on the job; and another, Mitch Daniels, on 4-21-03, who indicated earlier this year that Iraq would not require sustained aid, has also left the administration. So everyone in the administration who had projections that have great implications for this committee have left; and it appears that we are now getting pieces of that request.

I am asking Ambassador Bremer, how much can we expect from other bilateral donors and when can we expect it? The President spoke to the United Nations yesterday and asked them to pony up, and there is some evidence that that may or may not happen.

How much do we anticipate from the World Bank, and when can we expect them to begin lending? And how much will the estimated \$200 billion in debt owed by Iraq be dealt with in the context of international lending? Will lending proceed

prior to resolution of the debt issue and are these costs being factored in as well, Ambassador Bremer?

Ambassador Bremer. Thank you, Congressman, and congratulations.

Mr. Jackson. Thank you, sir.

Ambassador Bremer. In terms of other donors and where money can come from, there are essentially three points: First, we already have pledges of about \$1.5 billion from some 61 countries for reconstruction. Some of that money is already flowing.

Secondly, we are trying to get frozen Iraqi assets from a number of countries. These are assets which were frozen in accordance with the U.N. Resolutions. They total about \$2.5 billion. They are spread around lots and lots of countries, and the Treasury Department is leading a very aggressive effort to see if we can't get some of those funds back to the Iraqis.

Thirdly, as you suggest, there will be a donor's conference. We are hoping for substantial contributions from other countries and, as well, from the international financial institutions like the World Bank and the IMF.

Nothing--none of this is going to fund the full gap of the 60--the number I think that people are now sort of circling around is \$60 billion, because that is what the World Bank has said they think the needs are in Iraq over the next 4 to 5 years, so that is sort of the total number people are looking at.

Mr. Jackson. My understanding is that the administration anticipates that the fiscal year 2005 budget will contain follow-on reconstruction funds for Iraq, but that it will not be of the magnitude of \$20 billion. Can you give us a range of what kind of requests we can expect in 2005?

Ambassador Bremer. This is really the question that Mr. Obey asked me before, and I simply don't have a number at this point. I am sure we will have one at some point, but it certainly isn't going to be anything like this size and it will come through the regular appropriations process, as the chairman asked me at the top of the hearing.

I didn't answer your question on debt, sorry.

The situation on debt is that the Group of Seven, at its support meeting in France in June, agreed that we would postpone any payment on Iraq's very large amount of debt for a year-and-a-half, giving time to try to figure out what to do about that debt. So I think that problem will be worked on over the next 18 months, which suggests that people making contributions in the future are going to have to understand that the debt question is still open.

Mr. Jackson. Ambassador, let me take this opportunity to yield to our ranking member, Mr. Obey, for any additional questions that he might have along the lines that we have asked.

Mr. Obey. I thank the gentleman very much.

Mr. Ambassador, I want to go back to a question that Mrs. Lowey asked you, and it is on page 17 of this document, the justifications.

Again, it says two new 4,000-bed maximum security prisons, 400 million bucks. That works out, I think, to \$50,000 per bed. How can it possibly cost us that much to build that kind of a

prison in Iraq? I mean, you could build a prison in the United States for that amount and have money left over.

Ambassador Bremer. Congressman, I asked the budgeting people about that, and I will give you their answer, which you may or may not find satisfactory. They did some cost analysis and the only immediate number they could come up with was a cost of something like \$32,000 a bed for maximum security prison in the United States 10 years ago. I don't know what it would be today.

One of the problems we have is, it is more expensive in Iraq because we have shortages of cement, for example. We are going to have to work with imported cement. That, incidentally, is a factor because we don't have enough electricity; and we don't have enough electricity because----

Mr. Obey. Who has the contracts?

Ambassador Bremer. Nobody has the contracts. None of these contracts have been let.

Mr. Obey. Do we know that these will not be sole-source contracts, that they will be competitive?

Ambassador Bremer. Yes. I said in my opening statement that they will all be competitively bid.

Mr. Obey. I mean, I would have thought that the one thing Iraq was good at is providing plenty of prison space.

Ambassador Bremer. There were 151 prisons on April 9. Every single one of them was burned to the ground out of rage at the former regime. There are the remnants, the skeleton of the one maximum prison----

Mr. Obey. I cannot believe that the Iraqis can't build prisons for less than \$50,000 a bed.

Ambassador Bremer. Well, there was only one--this is the maximum security prisons, which are specially constructed.

There was only one out of the 151, which is Abu Ghareb, which was also destroyed by looters, which we have now begun to repair to hold some of our detainees.

Mr. Obey. Well, I can tell that you, we had better have a detailed explanation of items like this, because this is going to--I mean, the American public is going to look at this the way they used to look at appropriations for the Lawrence Welk museum, and I don't want to take that kind of heat, so I think we had better have some more information from you fellows.

The other thing I would ask: I find it very difficult to believe that after expending this huge amount of money over the 15 months that you referred to that we are not going to get additional funding requests from the administration on both the military side and the reconstruction side.

Ambassador Bremer. Sir, I didn't say there wouldn't be. I said there would not be a supplemental request. Other requests will come through the standard appropriating----

Mr. Obey. Well, that is a non-answer. We are not asking--I am not asking which window it is going to come in. I am asking how much.

Ambassador Bremer. I understand; I said earlier, I don't have a number for you. But you said, there would be no more requests. That is not right; I never said there would be no more requests.

Mr. Obey. Do you have a range? I mean, if you have a plan, you certainly know what you are going to do beyond 15 months,

or it is not a plan.

Ambassador Bremer. This, we think, is what we need over the next 15 months.

Mr. Obey. That doesn't tell us much about the next 5 years.

Mr. Kolbe. Thank you very much.

Mr. Obey. We need the whole story.

Mr. Kolbe. I understand that Mr. Crenshaw and Mr. Kirk are willing to yield their place to Chairman Lewis of the Defense Subcommittee.

Chairman Lewis.

Mr. Lewis. I thank my colleagues for yielding.

Thank you, Mr. Chairman. Our full chairman suggests that I am getting ready to go to Iraq tomorrow and there is a meeting I must go to in preparation for that. I spent a couple hours earlier today with Ambassador Bremer, and so I have one question, so I don't take all of my time, of General Abizaid, and then I will wander on.

General, it was suggested yesterday in the Senate that of 160,000 troops in Iraq, about 144,000 are U.S. It is also suggested that there is great pressure, conversation about reducing those numbers of U.S. Troops in the region.

Can you discuss with us what the prospects are for expanding numbers in terms of help from countries like India and other parts of the globe?

General Abizaid. Congressman, I can tell you that we have for a long time been looking to get another coalition framework division to come and join the coalition forces in Iraq. We have, as you know, two framework divisions now, one led by the British, the other led by the Poles. They are down in the south. They are doing a great job.

What we are looking for is another framework division that could possibly go into the north or the north central part of the country.

We have certainly looked to the Turks, to the Pakistanis, to the Moroccans, to other Islamic nations, because we believe that, number one, it is good to internationalize the force where we can; and number two, getting some sort of a Muslim military component in a major capability way would be good for the mission as well.

I can't really tell you where we are politically. I also know that the administration has approached other nations, as well, to provide large capacity. We would very much welcome a third division, a third coalition division to be part of the force.

And that is the best I can do for you now, sir.

Mr. Lewis. Thank you, General.

Mr. Chairman, thank you very much for this hearing, and I must say for all of those who are willing to listen to the gentlemen who are before us, it is very apparent that we have magnificent leadership in the region and we all should be grateful for it. And we appreciate the work the committee is doing, as well.

Thank you, Mr. Chairman.

Mr. Kolbe. Thank you, Chairman Lewis.

We will go next to Mr. Rothman, and then Mr. Crenshaw.

Mr. Rothman. Thank you, Mr. Chairman.

If I may impose upon you, Mr. Kolbe, if you could show me

the clock, so I can see how my time is ticking down.

Oh, I lost 10 seconds asking for the clock.

Mr. Ambassador, General, it is a great privilege to be with you both. I consider you each to be great patriots, each to be very brave men who have made great personal sacrifices to do what you have done already and have pledged to do in the future. My thanks to you and your families for the sacrifices you have made, the jeopardy you have put yourselves in--and will be doing so in the future. And also my thanks to all of those under your respective commands for their bravery and their dedication, as well.

Having said that, let me say how very troubled I am--even as someone who supported President Bush's request to send troops to Iraq, how very troubled I am with this new request for \$87 billion.

The President said and the Bush administration said a great many things to persuade the Congress and to persuade the country to go to war in Iraq--talked about weapons of mass destruction, talked about the imminent threat to the United States, people bringing smallpox over, people bringing unmanned aerial vehicles over, et cetera. None of those turned out to be correct.

They told the American people about what kind of resistance we could expect from Saddam's army. They told us about what the postwar scenario would look like, what kind of help we would get from the people of Iraq. They told us about what other help we could get from other nations of the world to help rebuild Iraq and to protect the infrastructure in Iraq. On every single count, the Bush administration was wrong.

Now, just about a month-and-a-half, Mr. Ambassador, before you took over this position, Secretary Rumsfeld on March 27 came before the Senate and said, quote, ``I don't believe the United States has the responsibility for reconstruction. In a sense, reconstruction funds can come from those various sources, frozen assets, oil revenues, a variety of other things, including oil for food, which has a very substantial number of billions of dollars in it.''

On the same day, Deputy Secretary Wolfowitz testified before the House Appropriations Committee, and I quote, ``There is a lot of money to pay for this, regarding reconstruction. That doesn't have to be U.S. taxpayer dollars. It starts with the assets of the Iraqi people,' ' and as a rougher recollection, The oil revenues of that country could bring between \$50 and \$100 billion over the next 2 or 3 years.

That was obviously wrong.

We are dealing with a country, he said, that can really finance its own reconstruction and relatively soon, and that was Deputy Secretary Wolfowitz in March of 2003.

Now, we are being asked, the American people, for \$87 billion more.

A lot of people have been asked to make sacrifices in the last several years of the Bush administration, but in particular, in Afghanistan and Iraq, our military men and women, our Reservists, our National Guard, extraordinary commitments of time, sacrifices no one ever believed they would be called upon to make, totally out of any historical perspective for these respective organizations.

Veterans are told they can't go to the veterans hospitals, their drug costs go up, seniors can't get prescription drugs, no money for schools, no money for all kinds of things. Two percent of the containers are inspected here in America for homeland security, because the President said we don't have enough money to inspect more than 2 percent of the containers coming into the country.

Now he wants \$87 billion for your very important work. And by the way, I agree with you that the post-Iraq success or failure will be incredibly important to the national security of the United States. The problem I have is believing what the Bush administration says is true on issues like Iraq. They said we didn't need money for reconstruction. Now you say we need \$87.5--\$87 billion.

The General said earlier, the General said earlier--may I speak?

The General said earlier that his determination about the number of troops, American troops in Iraq, and the length of time that we would have to be there, was directly related to the reconstruction efforts and the success. That was his testimony. But, Mr. Ambassador, you have been unable to tell us what our projected 5-year plan is for reconstruction, so how can we know what our 5-year military commitment is going to be?

We have already spent, adding up the military and reconstruction numbers, it is \$152 billion already with this \$87 billion package, and we don't even--we can't even predict what the military will be because you have not told us what the plan will be for the full 5 years. And, coincidentally--and I hate to bring this up, but it is a fact--you present us a 15-month plan that brings us right up to the next Presidential election.

And then we don't know, and you are not telling us and haven't told us, what the cost would be after the next Presidential election; and that bothers me not because of questions about your integrity or the General's, because I think you are fine, wonderful men of great integrity, but this administration has consistently made statements to the Congress and the American people that have not been true.

So I am going to have difficulty and the American people are going to have difficulty swallowing this \$87 billion figure if we are led to believe by this administration, that is all we are going to need, or we can't really tell you how many more years our military is going to be there because we can't tell you how many more years or how many more dollars we are going to put into reconstruction, because we thought, by the way, a lot of nations were going to give us money for the war.

Well, gee, I guess we were wrong. Well, maybe that had something to do with the manner in which this administration decided to go it alone.

Why should the Congress, why should the people of the country believe that these numbers are real? I ask that. I know it is a difficult question. And they sent wonderful messengers here and probably the folks who created all of the--made all those statements that Congress was asked to rely on, that the American people were asked to rely on, they are not here; and many of them are still in office and I wonder why.

Do you have any comments, gentlemen?

Mr. Rothman. I yield back.

Mr. Kolbe. With fairness, with that long statement, I think we should certainly allow the gentlemen to answer even though there are only 12 seconds.

Mr. Rothman. I said I certainly am inviting either of these gentlemen to make a comment.

Mr. Kolbe. Do either one of you have any--all right.

Mr. Rothman. With that, I yield back.

Mr. Kolbe. Mr. Crenshaw.

Mr. Crenshaw. Thank you, Mr. Chairman. And I want to add my words of thanks to the Ambassador and the General for the work they have done.

I know, Ambassador, when I was in Baghdad in early August and you were kind enough to spend an hour or so to go over where you were, I came away with two lasting impressions. One was that there is a disconnect between what I had expected, what I had been reading and hearing and what I actually saw on the ground that day, the tremendous success that had taken place in those first 90 days, and since then, another 2 months. But the other impression I came away with is that it is just a huge, huge undertaking; and for both of you all, I just think that I don't know why you would want that kind of job.

But you have got it, and I think it is critical that you continue to do the things that you outlined. And I know, as I have watched some of your critics over the last month or so come up with so-called ``new ideas,'' the kind of things that you went over almost 3 months ago.

But I want to turn just--my question, it kind of relates to an area we haven't touched much on. We talked about security, and I know that was one of the primary focuses that you all have been involved in, to build a security environment so that a new nation can be born. I know that the political side, writing the constitution, having free elections, that is obviously important. And the economical side, I think, is really critical as well, because with the security, with the political environment, if you create a vibrant economy there in Iraq, that is going to go a long way to bringing the kind of stability that we are looking for. And I know in this package there is a little bit of money to be used to work in the private sector development, and I do think that is critical.

Maybe could you talk a little bit about where that money is going to go, how that is going to be spent and what you see--your vision of recreating the economy that was probably there 35 years ago before Saddam Hussein ran it into the ground.

Can you tell us a little bit about how you are going to spend that money and what you hope to achieve in terms of private sector development?

Ambassador Bremer. Thank you, Congressman.

It is clear to me if we are going to succeed in Iraq, we have to have a vibrant private sector. In most countries that I am familiar with, a vibrant private sector is really the balance wheel that keeps the government in check, because it gives people another place to work, rather than, as they had to do in Saddam's Iraq, depend on the government for their jobs. So it is not just an economic fact; it is a political fact. It is a very important political fact.

The key now to success, now that the Iraqi Government has

put into effect very broad, liberal economic policies, is to get credit into the hands of Iraqis who want to go into business, because there is no credit system. There are banks, but as I think you know, the banks there were essentially bureaucratic mechanisms for putting credit into the state-owned enterprises, very much like the experience in China that was touched on briefly a minute ago. These banks are not real banks, and what have we got to do is develop lending processes and lending windows.

We have a proposal, as you pointed out, for \$200 million for an American-Iraqi Enterprise Fund, which is modeled on the very successful Polish-American Enterprise Fund which was set up in Poland after the liberation of Eastern Europe, and the idea is to try to use that to try to push money out to encourage entrepreneurship.

The International Financial Corporation, the IFC, which is a subsidiary of the World Bank, is also setting up a fund, similar, for miniloans and microloans to encourage very quick dispensing of credit, so we can get the economy turning over, create jobs, and create a competitive, vibrant private sector.

Mr. Crenshaw. And just as a closing comment, Ambassador, what I saw in terms of people on the streets and people in the markets and people driving and, in particular, it appeared that about every other Iraqi house had a satellite dish on top, so it seems to me that there is a real market there, there is a real entrepreneurial spirit; and I certainly, along with, I think, the other members, wish you the best as you work toward developing those three goals.

Thank you.

Mr. Kolbe. Thank you very much.

Ms. Kilpatrick, and then Mr. Kirk.

Ms. Kilpatrick. Thank you, Mr. Chairman, and to the distinguished gentlemen with us today. I, too, appreciate your service, your sacrifices, and what you are doing and have done for this country.

I am most concerned about the troops and that they get what they need to be protected, that they are able to serve in the military and have the best in terms of what they need in training, in personal items such as deodorant, and other kinds of personal things that my office has received calls that they are not getting; and the Flak jackets that have the protective shields in them. I am told 40,000 of our soldiers don't have that.

Why is that, General? Why are we not protecting our troops to the best of our ability?

General Abizaid. Thank you, Congresswoman. I appreciate that question.

I want you to know that there is nothing more important to me than our soldiers, sailors, airmen and Marines, and I would also like to say to you that not only is it personal to me because I am their commander, but I am also a father of a soldier, a father of--a father-in-law of a soldier, and so I take this very, very personally.

These young people that are there absolutely, positively deserve the best the country can give them.

Now, I can't answer for the record why we started this war with protective vests that were in short supply, but I can tell

you that by November every soldier that is serving in Iraq will have one. It is very important.

I can't tell you, by the way, that every soldier will live a good life in Iraq. They won't. They never will, because it is hard duty. It is tough duty. We ask them to sacrifice, and we will do the best we can to not only protect them, but also to make their quality of life better every day; and we will do that.

Ms. Kilpatrick. Less than 6 months ago, this Congress gave the administration a blank check, \$79 billion of which this member still has a hard time, getting details in terms of where that money went.

Today, we are before the Congress asking for \$87 billion, \$87 billion--as was mentioned earlier, larger than 10 of the 13 budgets that we work on as the Appropriations Committee. And even in saying that, the servicemen and women who were there, who are poorly trained in many cases, whose lives are threatened every day, and now more killed than during the active participation in the war before May--we have got to do better, General.

And I know that being a general, four-star general, you have been in many conflicts. Have you ever been in a conflict where one country paid 95 percent of an international war bill?

General Abizaid. Well, Congresswoman, I can't say that I have. I don't know whether I have, because I have never really thought about it. It is--it is possible that we are definitely paying more than people might have thought with regard to other international contributions that might come forward. But I can tell you that I think you are wrong and, as a matter of fact, I know you are wrong in one sense.

Ms. Kilpatrick. Help me, please.

General Abizaid. That our people are poorly trained.

Ms. Kilpatrick. Oh.

General Abizaid. They are not poorly trained. They are well-trained.

Ms. Kilpatrick. I beg to differ.

I am saying to you what comes into this Congressperson's office, representing 680,000 people--over 20,000 are in Iraq and in the conflict in Iraq and Afghanistan as we speak--families that call our office, families that we have met with.

I want to correct it. I don't want to debate that it doesn't exist. I am telling you that it does, and it needs to be corrected as soon as possible. I want to respect your generalship, the responsibilities that you assume and the commitment that you have made, and the area that you are now responsible for. But I am telling you, General, it does exist, and we will talk about it later. I don't want to spend the time doing it now. Please correct that, please work to do that; and I believe in your heart, as well, that you will do that.

Mr. Ambassador, as we talk about the \$87 billion, it troubles me that you can't tell us how much you think it will cost. We will be getting the 2005 budget in a few months. This supplemental before us, I am not sure where I will be on it. I would much rather take out what the servicemen and women need. We need to reconstruct our own country. We need to invest in our own electric system and water and the like, so it is hard for this member now to talk about Iraq, as we have now gone

there and decimated it.

And Iraq is not a poor country, by the way. I am told that there are hundreds of barrels of oil, if not thousands, that can be used now; and the last figures I saw, although proposed before May, there were a number, that their oil reserves were helping the reconstruction. Now I am told that that number is zero. Is that true, Mr. Ambassador?

Ambassador Bremer. No. The situation is the following, Congresswoman: Oil revenues are substantially lower than they were before the war because of destruction, largely by sabotage and by looting. We estimate that Iraq has a maximum production capability of some 3 million barrels a day. That was its level before the war. We believe we can return to that level in about a year, using \$1.2 billion of the \$20 billion that is here, to return them to that.

Even then, next year, in the 2004 budget--their budget year is a calendar year, even though--even with that, we will still not have enough oil revenue next year to pay for all the expenses of the government. There are no extra funds being turned out by oil revenues until their 2005 year.

Ms. Kilpatrick. Thank you. Can you stop right there?

Thank you. I appreciate that.

Iraq is a Muslim country. Sometimes I think we, as Americans and many Christians, we don't have enough respect for other cultures and religions.

Within Iraq which is, the size of California--and you have been there, you know--Sunni Muslims are the largest sect, I do believe, and that is one of the biggest problems today with the disenfranchisement that they feel.

How is this appropriation that we are considering going to help you to alleviate some of the real problems on the ground, some religious, of course, that a gun and a machete and other things cannot solve?

How does this appropriation help you to mitigate those conflicts?

Ambassador Bremer. Congresswoman, actually, it is the Shia who are the largest sector. I think you probably meant to say the Shia.

The fundamental issue before us is to try to give the Iraqi people a sense of hope for the future, a sense that things are going to get better. And the way it helps alleviate a lot of the tensions is by making things better. And that is what this does, particularly the part that is related to security, which also serves to make our men and women in the Armed Forces safer. It also helps by getting Iraqis more in the front line of doing those security deeds, and that helps us get a more secure environment, an environment in which Iraqis have hope. And it is interesting that the polls that have been taken show that something like three-quarters of the Iraqi people have hope about the future. They believe their lives will be substantially better in the next 5 years.

Ms. Kilpatrick. And over half in that same poll believe that we should leave the country and let them rebuild.

Ambassador Bremer. We believe we should leave the country. The question is when and under what conditions. And we should do it as soon as security has been resolved. We are not staying there because we like to be there.

Ms. Kilpatrick. What percent of their security force that we are building----

Mr. Kolbe. The time has expired.

Mr. Kirk.

Mr. Kirk. Thank you, Mr. Chairman.

Well, I think things are better. The last time I was in Iraq, the air defense network was shooting at me. And I will be joining Chairman Lewis in Iraq this weekend.

When I look at what we should do, I generally focus on five key principles: One, that we fight the war on terror overseas and not in America's cities. Coming from Chicagoland, where we are home to the Sears Tower, and it is still standing, that is very important to us.

Next, that we finish the job; otherwise, we condemn a future generation of Americans to refight this war.

Third, that our goals must match the ideals of the American people that we have an Iraq that does not invade other U.N. Members each decade, an Iraq that governs by the consent of the Iraqis, and an Iraq that cooperates with the United Nations, doesn't confront it.

Fourth, if we accept this mission, as we have, then we have to give you the tools to succeed.

And, fifth, this mission must be completed to defend our Constitution as we both were sworn to uphold.

Now, to summarize your mission, I think you are trying to rebuild a civilized government in a country that invented civilization, if we honor the historic heritage of Iraq. And I know from your briefings prior, the situation as you took it over in May, all jails were destroyed, all inmates released, there were no border guards, they had all been deserted as your materials point out. All the firehouses were destroyed, and firemen had no equipment. Iraq's children suffered the highest infant mortality rate in the Middle East, and electrical generation totalled one small town's 300-megawatt generator.

In 22 weeks you have done quite a lot. The economy is growing. You have hired police. Polish peacekeepers are arriving. I look at other U.S. occupations. I asked CRS, in Japan U.S. Armed Forces took over in August of 1945. The first elections weren't until September of 1946, 13 months. Germany, we had the policy of denazification. So U.S. Armed Forces took over in May of 1945; elections were not until June of 1949, 4 years later.

People talk about the cost, but if we keep it in context--I am told the cost of World War II was 130 percent of our GDP; the Korean conflict cost 15 percent of America's income; and that the total war on terror, Afghanistan and this \$87 billion, is 1.5 percent of U.S. GDP.

I am going to support you based on that, both your military and your civilian requests. But I want to ask you one tough question, because I want to defend this Constitution, both the Article II part of the Constitution in the executive branch that you represent and the Article I part of the Constitution for the Congress.

Now, we funded the President's September 11th supplemental request, but we rejected a couple proposals, and the kind of proposals we rejected are in this proposal. I actually have the reputation, being a former staffer, that I actually read the

bills before they come up. And so I read this proposal, the actual legal language. In it, you have authority to transfer funds for any government activity. That sounds awfully broad. Now, we rejected that in the September 11th supplementals. Also, you have a contingency fund, a \$100 million contingency fund, to be spent in the national interest. Now, this Congress should not appropriate any funds of any kind that are not in the national interest, but ``in the national interest'' sounds overly broad.

Can you talk about how deeply essential you need funds for any government activity or to be spent in the national interest entirely?

Ambassador Bremer. Our colleagues are telling us that that particular reference is to a part of this fund which goes to the State Department on which neither of us is competent to answer.

Mr. Kirk. Okay. Well, I would hope that--Mr. Chairman, I would hope that the committee will follow our precedent on completely open-ended appropriations for any government purpose and not permit that.

But let me ask one other tough question, because I am going to support this overwhelmingly. But the hospital. We have a \$150 million children's hospital in Basra for cutting-edge research, and postgraduate development, and state-of-the-art care. Meanwhile, you have a \$393 million request to give basically \$350,000 for 1,105 clinics and other health care facilities. Is this huge, brand-new children's hospital really needed, because we could increase the aid to other health clinics in Iraq by 40 percent if we just don't build this one state-of-the-art research institution.

Ambassador Bremer. Congressman, the idea here--and I support this children's hospital--is first that Basra is the second largest city in the country and does not have a children's hospital. And I have been to the children's hospital in Baghdad, and it, like most hospitals in Iraq, is in dire need of better equipment.

The idea here is basically an idea from Project Hope. They did a similar project like this in China, which also has many, many needs in the health care area, particularly in the rural areas, and the concept is, you make a model that attracts technology, attracts doctors, and becomes a place where children throughout the country can go for the very best care. And as you pointed out, there is a really dire need for better child care in Iraq. The children mortality rate is extremely high.

I think it is a useful project, and I think it is useful particularly that it is in Basra, not in Baghdad where there already is a hospital, but that it shows an interest in the second largest city in the country, and it will become a magnet not only in Iraq, but also in the region for the best technology and medical care for children.

Mr. Kirk. I have got an open mind, but I am also thinking that for General Abizaid's troops, having more money and more clinics might help the environment that our troops are facing rather than one state-of-the-art, very expensive facility.

But I yield back, Mr. Chairman. Thank you.

Mr. Kolbe. Thank you.

We have one or two more questioners, and then we will hopefully get just a few more questions in by Members again.

Ms. Kaptur.

Ms. Kaptur. Thank you, Mr. Chairman. Before I begin my questioning, I would just like to ask you as Chair, or Mr. Young as Chair of the full committee, whether Secretary Powell was invited to testify at this hearing or Secretaries Rumsfeld or Mr. Wolfowitz, as they were the architects of the policy that we are discussing today?

Mr. Kolbe. Let me just tell you that since we are considering a supplemental, no. But Secretary Armitage will be up here next week, Under Secretary Armitage will be up here next week to talk about the Afghanistan part of the request.

Ms. Kaptur. And, Mr. Chairman, why would a supplemental be different than a regular request, and especially one of this magnitude? Why would not the architects of the policy be invited to testify before this committee?

Mr. Kolbe. Ms. Kaptur, the architects of this request put this together. Ambassador Bremer and his team at the CPA who put this together are testifying before us right here today. The person who is the architect of the supplemental is here.

Ms. Kaptur. Well, I can remember when Secretary Powell came before this committee before the war in Iraq, and I asked him several questions at that point. And a lot of these dollars are going through the State Department and going through the Defense Department. And I find it objectionable that this Member does not have the ability to ask my questions of the policymakers.

The other opinion I would like to express, Mr. Chairman, with all due respect, you have given us 8 minutes each. That means we have about 1 minute to review every billion dollars we are being asked to expend when I divide the time, not counting votes that we cast on the floor today. I think this is an abhorrent way to run the Republic. I don't think the subcommittee should function in this manner, and I think we should have sufficient time to examine every single billion dollars we are being asked to take from the American people.

That is my comment. I appreciate your listening. I respect your chairmanship, but I resent being pigeonholed into 8 minutes.

Now, let me just say----

Chairman Young. Would the gentlelady yield?

Mr. Kolbe. I will not take it off your time.

Ms. Kaptur. Yes.

Chairman Young. This is just the first of a number of hearings that will be held, and the gentlelady will have many opportunities to question other architects or those who are partially architects of the policy. But this is the first of several hearings.

Ms. Kaptur. Well, I thank you, Mr. Chairman. I know what a gracious gentleman you are, but I doubt that we will have the opportunity to talk to the people who shape the policy, and that is what I would like to do. That is what my constituents expect me to do.

Mr. Obey. Mr. Chairman, if I could take 30 seconds to respond to your chairman. As he knows, I sent him a letter yesterday urging that we sit down and work out a bipartisan

understanding of the number, the length, and the nature of the hearings that we ought to have, along with the appropriate witnesses, because, as I pointed out earlier, this is so large that it equals--almost equals the total of seven appropriation bills that we have passed so far this year combined. And it seems to me that since those seven subcommittees for an equivalent amount of dollars held some 56 hearings to examine how that money would be spent, that we do indeed need more than the 8 minutes that was provided to the Senators on Monday or the 8 minutes here today, or, for that matter, the limited amount of time that we will be afforded in what other hearings I know of.

Mr. Kolbe. I appreciate the gentleman's comments and Chairman Young's comments. We are trying the very best we can to make as much time available. Ambassador Bremer has a number of committees that he is testifying before.

And we will now return, and return to the time of Ms. Kaptur, and any further discussion about the procedures will come out of that time.

Ms. Kaptur. Thank you, Mr. Chairman.

And, of course, this, if approved, will provide every Iraqi citizen indirectly with at least \$3,400, if you divide the population of Iraq by what this request proposes.

And I have a question I will ask Ambassador Bremer about the Governing Council and its unrepresentative nature. But let me just mention that, in view of the amount of money that we have already given the administration and the lack of accountability to this committee, with no-bid contracts being given by the Department of Defense, by funds that even these witnesses don't understand, pictures like this appearing around the world, dollar bills being distributed all over Iraq, and I say, oh, is that the message that we really want to give to the world? Dollar bills, dollar bills, in a country that is known for dinars. It seems to me that there is a lot of accountability that needs to occur before committees like this one.

Now, in my district of Toledo, Ohio, we need \$400 million for a wastewater treatment plant, and if I count up all the needs of the States, the debts that they have had, the deficits they are facing this year, they probably need somewhere between \$15- and \$40 billion. So when we give this money for this effort, it means we are taking away from our own people.

Ahmed Chalabi is a convicted felon in Jordan, extradited from the country. How can we possibly allow this type of individual to be president of a Governing Council that underrepresents Shiites, underrepresents Sunnis, and includes 11 of 25--one now assassinated and one attempt this past week--to be representative of a nation that is struggling to find its way?

When you are swallowed in the belly of a whale, at least you ought to know where you are. And the nose of the whale is stuck between Bubiyan Island and Kuwait and Iraq, and the tail is floating in the Caspian Sea near Baku. Of course, this is about oil. It is about the politics that oil created. It is about terrorists who are attempting to topple regimes, not unlike we faced with Iran. We were on the wrong side then, too, and we have yielded very bad relations in that region for a

number of years. America is totally dependent for her industrial and military base on the import of foreign fuel. Of course this is about oil.

When President Bush, former president of Harken Energy, invested in Bahrain, why would he invest there? Where the Fifth Fleet is headquartered? Well, what about Vice President Cheney? The CEO of Halliburton Corporation now getting no-bid contracts amounting to the billions from my constituents? Not about oil and the politics that oil has created?

Retired President Bush, a partner in the Carlisle Group with friends in Saudi? It is not about oil? It is about the politics that oil has created. When President Bush picked Philip Carroll, the former CEO of Shell Oil in Texas, to head oil operations, and then over 12 gas stations blew up in Pakistan that just happened to be Shell outlets, why would that happen? Why would the terrorists do that?

So, my first question actually goes to General Abizaid. Yesterday, President Bush said Iraq is the major front in the war on terrorism. But on Friday he said Saddam Hussein had nothing to do with 9/11; 15 of the 19 hijackers were from Saudi Arabia. Taliban forces are regrouping and fighting again in Afghanistan. Madrasas in Pakistan are churning out their hateful youth every day. And the Israeli and Palestinian killing fields are bloodier than ever.

General, do you agree with the President's assessment that the front in the war on terrorism is Iraq?

General Abizaid. I agree that Iraq is part of the global war on terrorism, and I believe that the 3,000 citizens that lost their lives on September 11th lost them because we had failed to confront the menace of terrorism when we should have years before. We now must confront that menace where it exists, and it is in the Middle East, it is in Afghanistan, it is in Iraq, it is in the Horn of Africa. We have got to not only face it ourselves, but we have got to face it with those nations that are trying, such as Saudi Arabia and Pakistan, to fight it themselves.

It is not about oil. It is about defending our way of life against people who would kill us just because we are Americans. That is what we are fighting for, and that is why we have got to win.

Ms. Kaptur. Well, General, you and I don't see the world the same. It is all about the politics that oil has created. It is all about the regimes that cannot hold. And at some point we have to recognize we are in the belly of a whale, and the way you get out is by recognizing you are in it. And one of the first initiatives I would expect to come from the administration is energy independence.

And I know my time has expired.

And, Mr. Chairman, let me just ask on behalf of our troops, They are having to pay a dollar a minute to contact their families back in America. If we can provide \$87 billion to Iraq, why can't we provide satellite time for our own kids to call their families back here?

I thank the Chairman.

Mr. Kolbe. The time of the gentlelady has expired.

General, since the question was asked, we let you respond if you have any response or you want to get something on for

the record.

General Abizaid. I have no response.

Mr. Kolbe. Thank you.

Mr. Wicker.

Mr. Wicker. Thank you, Mr. Chairman.

Let me just say before I get into some questions, I have to take issue with my friend from Ohio that this is all about oil. After all, the testimony has been already today that we have taken the oil off the table, and that will be totally controlled by the new Government of Iraq. I have a question about that later, but certainly this is not all about oil; this is all about the global war against terrorism.

Also, the gentlelady mentioned a particular infrastructure need in her district. I have infrastructure needs in my district. I have a bypass that I am not going to be able to get funded for several years, if not decades. The cost of an international war against terrorism assists us all in the sense of security, and it doesn't take away from our districts to say that we are funding the portion of the reconstruction costs that deal with security, and that has been the testimony before us today. And I certainly intend to support you, Mr. Ambassador, on this.

Earlier, a statement was made by another friend on the committee that we have gone in and decimated this country. Now, I want to get back to that. We started off with Chairman Young flatly pointing out that the construction needs that we intend to pay for, the \$20 billion of the construction that we intend to pay for, we did not cause by our operation, by Operation Iraqi Freedom. These are reconstruction needs caused by the Saddam Hussein regime. So to say that we have gone in and decimated this country, I think, is far from the truth.

As I understand it, Mr. Ambassador, we estimate the entire reconstruction cost to be between \$50- and \$75-billion; is that correct?

Ambassador Bremer. Yes. I think it has been refined a bit by the World Bank to more like \$60 billion, but that is the range.

Mr. Wicker. Okay. And so we propose to pay for a third of that by the U.S. taxpayers.

Ambassador Bremer. Yes, sir.

Mr. Wicker. Now, earlier today--and your testimony, it is also correct, that we are paying that portion which we deem to be necessary for security reasons?

Ambassador Bremer. Necessary and urgent. And the \$60 billion, I repeat again, was a 5-year projection. It is not that that is what is needed all at once.

Mr. Wicker. I see. Now, Mr. Ambassador, I saw some aerial footage today taken by a colleague of mine who visited just about a week or so ago in Iraq. From looking at the footage, it would seem that a person could fly over Baghdad for miles and miles, over an hour, and see very little evidence that a war had taken place. It looked to me that the roads were intact, the bridges were intact, most of the homes were intact.

You testified earlier at the meeting of Chairman Lewis's delegation that when you came in in May, Baghdad was on fire. How much was on fire? It didn't look like there was much burned out to me. How do you square that statement with what I saw in

the aerial footage?

Ambassador Bremer. The Chairman was right. The amount of battle damage is extraordinarily low. I can't imagine any war where so little collateral damage was done. There were buildings damaged by our special munitions, and the fires that had been set when I arrived were mostly people taking revenge on people, like the Ministry of Interior was on fire. So what was on fire when I was there were fires set by looters and revenge seekers against the former regime.

Mr. Wicker. And even that doesn't constitute any great portion of the existing infrastructure----

Ambassador Bremer. No.

Mr. Wicker [continuing]. In Baghdad.

Let me move on to your statement about the need for a vibrant private sector, and have you comment about what you see in the future as control by publicly held corporations in foreign investment. I understand that we are taking natural resources off the table. What percentage of the gross domestic product of Iraq do you estimate comes from oil revenue and other revenue from natural resources?

Ambassador Bremer. Well, it is hard, because I don't know what the denominator is. We think the gross domestic product is in the range of \$30 billion a year. Oil revenues next year should be on the order of \$12 billion. Now, those are the two numbers I can give you. I don't have an awful lot of confidence in the \$30 billion.

Mr. Wicker. Well, you told the delegation earlier today that when you arrived in May, this was one of the most controlled economies that you had ever seen. It was a Stalinist-controlled economy. Now, what I am understanding from you is that roughly 40 percent of the economy is still going to be controlled by the central government. What does that say to you--and I think it is an important statement for us to make to put an end to this accusation that we are there for the oil money. But what does that say to you when we are taking 40 percent of the GDP and leaving it in the centralized Stalinist economy about the ability for publicly held corporations to thrive with foreign investment and publicly owned corporations owned by the Iraqi people?

Ambassador Bremer. Well, I think the future of the oil industry there is quite obviously sort of a central economic and political question for the Iraqi people, and that is why we have said, it is your decision. They decided not to allow foreign investment in oil. We agreed with that because that was their decision. I don't know what they will do in the future, Congressman. We have encouraged them to think creatively and to think about ways to assure that we do not have an overconcentration of revenues in the hands of the central government, and there are models on how that can be done in other oil-producing countries. This is a discussion that we are going to continue to stimulate with the Iraqi Governing Council in the months ahead.

Mr. Wicker. Members of this committee would tell you, Mr. Ambassador, that I almost always try to get around to ownership of private property. I would like to know how we are doing in that respect. I understand that there are ongoing land disputes. You are asking for \$30 million for a property claims

tribunal. How is this process going, and what do you see is the future of resolving these property claims and funding a land title regularization program?

Ambassador Bremer. The property claims are an exceptionally sensitive political issue, because Saddam, borrowing again from Stalin, used the system of moving people around, large-scale migrations in this case of Arabs into the Kurdish regions in the north, as a system of--sort of a population engineering. And that has to be unpicked over the months ahead, because there are lots of people whose property was essentially confiscated.

We are going to try to set up a system to adjudicate those in a fair way and try to take some of the pressure off of this very sensitive political situation. That is what that money is for.

Mr. Wicker. Thank you.

Mr. Kolbe. Thank you, Mr. Wicker.

The General and the Ambassador are going to have to leave in just a couple minutes. We are going to try to see if we can get just a couple questions in, and make them very, very quick. I am going to ask just one, and then go to Ms. Lowey, and go to Mr. Young and on to see if we have another question here.

The question was asked earlier about having competitive bidding. You answered it, so I want you to know, however, that it is very important that there be full competitive bidding for all the contracts that are included in that supplemental.

My question to you, Ambassador Bremer: If you look through, go through the total of your supplemental request there, you have got a lot of additional personnel, 2,000 for border, Customs, police; 25 for immigration inspectors; 5,000 firefighters; 20,000 facility protection guards. I didn't add it all up, I don't know if you have, to know how many personnel you are actually talking about. Have you given any thought to the sustainability of this over the long haul of how these are going to be paid for?

Ambassador Bremer. Well, we think, as I suggested, that once the oil revenues come back up to the level they can be, at 3 million barrels a day, that the Iraqi Government will be able to pay for these things on an ongoing basis.

Mr. Kolbe. You would expect them out of their oil and other revenues----

Ambassador Bremer. Yes, sir.

Mr. Kolbe [continuing]. To pay for those?

Ambassador Bremer. Yes, sir.

Mr. Kolbe. Are they paid for the first year out of----

Ambassador Bremer. The training.

Mr. Kolbe. But also the salaries are being paid for out of this?

Ambassador Bremer. Yes, sir.

Mr. Kolbe. Ms. Lowey.

Mrs. Lowey. Thank you very much, Mr. Chairman.

And I thank you for appearing here. And I just hope again that we get careful responses to those questions regarding the costs that I discussed before.

With regards to the new Iraqi Army, over \$2 billion in the justification has been requested to field the new Iraqi Army. The first battalion is set to graduate in October, about 4,000

men, and you have indicated that the \$2 billion is required to have 9 brigades, 40,000 men fully operational by August of 2004. And we fully support the goal and look forward to reaching it, but two questions, if I have time.

In Afghanistan, we now have about 900 U.S. troops and several hundred allied forces training a new Afghan Army. It has taken about 6 months to field the initial 4,000 troops, and a retention rate hovered about 50 percent. In short, despite their goal to field the new 70,000-man army quickly, we are years away from accomplishing it. In Iraq, we will actually achieve 4,000 trained men by October. General, perhaps you could lay out for us how is it possible to achieve this goal of having a fully operational 40,000-man Iraqi Army in the next 10 months, by August of 2004.

General Abizaid. Yes, Congresswoman. I believe that there are very large differences between what we had to deal with in Afghanistan and what we are dealing with in Iraq in terms of trained military manpower. Also, I would like to say that the first battalion is about 7- or 800 strong, and we can reach our 40,000 goal by October of 2004--I believe that is the time, September, October of 2004--primarily because we have a very, very well-trained military manpower pool in Iraq. We are able to use previous officers that we vet, of course, to make sure are part of the team. We have got a much more robust training system in place there. And the infrastructure that we are using in Iraq didn't have to be built from zero like it did in Afghanistan.

So I believe that the goals are realistic. I think we can build an army of 40,000, but I would like to remind you that it is about 25 percent the strength of the previous Iraqi Army.

Mrs. Lowey. Thank you very much, and I appreciate your coming.

Mr. Kolbe. Mr. Young.

Chairman Young. Mr. Chairman, I have one question I would like to propound.

We are going to eventually have this mission completed. We are going to leave Iraq, hopefully with a government in place and police and court system, military. What happens, though--knowing how volatile Iraqis can be, what happens if we are gone, the international community is gone, and all of a sudden some of those guys that disappeared when those two divisions disappeared, all of a sudden they decide to bring about a coup? They have some supporters inside the military or inside the constabulary. Is somebody making a plan to deal with that in the event that somebody should try to by force take over the new government?

Ambassador Bremer. Well, Mr. Chairman, one of the reasons why we are taking great care in training the new army and keeping it focused on security matters and not internal security, and training them to an American style view of the military as being a nonpolitical institution, is to avoid falling into the trap of coups. Iraq has the unfortunate distinction of having been the first country in the Middle East to have a coup, which they had in 1936 and set off a bunch of coups all around. We do not want to fall back into that.

The best safeguard for that is a robust Constitution, a robust political situation, a vibrant economy, and a

professional army that stays out of politics. That is all I can tell you. I don't know, I hope we don't ever have to have a contingency plan for that.

General Abizaid. Mr. Chairman, you know, you can never quite predict what the future is going to bring. But really, this whole mission in Iraq is about moderation versus extremism. What we are trying more than anything else in this great experiment is to ensure that moderation comes forward in Iraq and that the Iraqi people have a chance for a better future where they are not dominated by one or the other end of the extremes. If we build the institutions right, this is a very courageous and talented bunch of people that can be successful. And I think you could never be 100 percent sure of what is going to happen, but I believe there is a very good chance that we will be successful there, that we must be successful there, because if moderation can't take hold somewhere in the Middle East, we have a very long road ahead for all of us.

Mr. Kolbe. Mr. Obey, a final question.

Mr. Obey. Gentlemen, the chairman just asked a question, and he phrased it in terms of when this mission is completed. So I want to repeat the question I have asked earlier, since you are appearing on behalf of the administration today. When this mission is completed, if things go as you expect, how much additional funding beyond the amount that is in this package today do you think that we will have spent on the reconstruction side and on the military side?

Ambassador Bremer. Well, Congressman, I haven't gotten an awful lot smarter in answering this question in the time you first asked it until now. I don't have an answer for you. We believe that this amount is what is needed now. There will be--

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Mr. Obey. Since we are limited in time, let me interrupt to simply say, with all due respect, if you had a plan, you must have some idea, some range of what a reasonably expected cost would be. The budget for next year is being prepared right now. Somebody has got some numbers somewhere.

Ambassador Bremer. I do not, because I believe the \$20 billion is what I need. If I needed more, I would have told you.

Mr. Obey. You told me earlier, the last time I asked this question, you said, no, you weren't saying that it wouldn't cost more money. Now you are saying----

Ambassador Bremer. Well, what I said was--I never said we would not need more. I said, if we needed more, it would come through the regular appropriation procedures.

Mr. Obey. Well, with all due respect, we are back to the word games again. You know what I am trying to get at. I mean, when I buy a house, I don't just need to know what the down payment is, I need to know what the monthly payments are and what I will have paid out over the 30-year or 15-year loan. And the Congress, exercising its fiduciary responsibilities to the taxpayer, has an obligation to ask those questions, and you fellows have an obligation to have some range of figures in mind. If you don't, you don't have a plan, you don't have a clue. And I cannot be expected to vote for a package if I can't get a clue from you of what the final costs within reason--

within a reasonable range are expected to be. With all due respect, if you can't give us an answer, you are stiffing us.

Ambassador Bremer. Well, Congressman, I resent that.

Mr. Obey. Well, I do, too.

Mr. Kolbe. All right. Well, I thank the gentleman for his questions, and I thank the gentlemen for their testimony. Unfortunately, the Ambassador has to leave at this time; he has to be, I believe, at the White House. We will, of course, take questions for the record here.

And I think we have been very fair in trying to give everybody an equal amount of time. We did get one question from each of the Ranking Members here in our second go-around.

I think it might be worth just noting here that much talk has been made here about the Marshall Plan; that in today's dollars, 2003 dollars, the Marshall Plan would have cost \$101 billion. So I think that just helps to put some of this in perspective.

I have a number of questions for the record that I will submit, and I know others will have some.

I want to thank both of you for being with us today, for your patience, and for the answers that you gave us. I want to thank all the Members for their cooperation in making sure that they got through this hearing, and everybody was cooperative in making sure that everybody got a chance to ask questions. I thank you all very much. The subcommittee stands adjourned.

[Questions and answers for the record follow:]

GRAPHIC(S) NOT AVAILABLE IN TIFF FORMAT

Tuesday, September 30, 2003.

PRESIDENT'S FY 2004 SUPPLEMENTAL REQUEST FOR IRAQ AND AFGHANISTAN

WITNESS

RICHARD L. ARMITAGE, DEPUTY SECRETARY, UNITED STATES DEPARTMENT OF STATE

Mr. Kolbe's Opening Statement

Mr. Kolbe. The Subcommittee on Foreign Operations, Export Financing and Related Programs of Appropriations will come to order.

This morning, we are considering the continuing review of the President's supplemental request for fiscal year 2004, primarily for Afghanistan and Iraq.

We have asked that the chairman and ranking member of the Commerce, Justice, State Committee, Congressman Wolf and Congressman Serrano, to join us here; and I think they will be here at some point, because there are several items under their jurisdiction that are included in this request.

Last week, in our first hearing, we heard from Ambassador Bremer and General Abizaid. This morning, the subcommittee welcomes Deputy Secretary of State Rich Armitage. And, upon completion of his testimony, we are going to hear from the USAID Administrator, Andrew Natsios.

Our hearing today is going to focus more on the almost \$2 billion requested in the most recent supplemental, as well as the underlying fiscal year 2004 budget for security and reconstruction in Afghanistan, which is not to say that we won't get into other areas, but that will be a large part of our focus.

While the media and the public have largely turned their attention to Iraq, we cannot forget Afghanistan where, truly, an international effort has been assembled to create and support a stable government that is capable of denying sanctuary to international terrorists. Now we are rapidly approaching a decision point where success or failure hangs in the balance.

In addition to questions about Afghanistan, as I suggested a moment ago, I expect Deputy Secretary Armitage to discuss the larger policy context of our efforts in Iraq, and the impact of both of these areas on U.S. Policy and programs in the Middle East.

Last week, when the subcommittee heard from the CENTCOM commander, General Abizaid, we heard words that I think frame the significance of the foreign operations part of this overall effort--this supplemental request. In his response to questions, the General said, quote:

``There is no strictly military solution to the problems we face. It requires that we move together on the political front, the economic front, on the reconstruction front, in a manner that is synchronized and coordinated. If we don't do that, I do not believe we can be successful. So you can pay the military to stay there, but you are only paying us to stay forever,''

unquote.

I have recently visited both Iraq and Afghanistan, and our staff have spent a total of 10 days in Afghanistan within the past 5 weeks. Our chief clerk just returned a few days ago and Mr. Murray was on that trip, as well.

I completely agree with what the General had to say. The reality is that our commanding military presence is inextricably linked to building civilian security forces, starting economic development, creating the institutions for political democracy. We need to pursue an orderly transition of power for stable and representative governments in both of those countries--Afghanistan and Iraq. We need to train and hire civilian police and border enforcement guards to free our military from such duties.

Basic services such as electricity, water, and waste water treatment are desperately needed to give more Afghans and most Iraqis a better future. And, lest we forget, security also is necessary so that these infrastructure projects such as the Kabul-to-Kandahar road construction project are completed on cost and on schedule, and are usable by the people who need to be able to travel freely and safely on them.

It has been just over 2 years since the United States suffered the most deadly attack by a foreign power on our homeland in its history. It has been 2 years since America responded and took the battle overseas to nations that support terrorists. Our men and women in uniform have performed nearly flawlessly, defeating the forces of the Taliban and al-Qaeda in Afghanistan, and Saddam Hussein's tyranny in Iraq.

Now we are moving from the initial military phase against regimes harboring terrorists to helping build nations that are stable and at peace with their neighbors. Nurturing an Afghanistan and an Iraq that cease to be threats to their neighbors and a safe haven for terrorism will not be easy, and it will not be without significant cost. But with our support and that of other nations, we can and we will rebuild the basic infrastructure, support health care and education, and create governments ruled by law and not by tyrants.

This is a difficult task. It is a costly task. It will require patience. It is a responsibility the United States did not seek. And yet it is very much linked to the protection of our own citizens here at home.

We cannot afford to fail, for if we do, future generations of U.S. men and women in uniform will be returning to fight again in these nations, just as the sons of World War I veterans returned to the same battlefields in Europe less than a generation later.

Deputy Secretary Armitage, it is a pleasure to have you before the subcommittee again. We appreciate your service and the dedication of the Department of State and the USAID personnel who represent us in these nations and, I might add, in all of our posts overseas.

And let me now ask my good friend and colleague, the ranking member, Congresswoman Lowey, if she would make her opening statement. Then we will see if we have statements from Mr. Obey and Mr. Young, if he is with us; and then we will hear yours, Secretary Armitage.

Mrs. Lowey.

Mrs. Lowey's Opening Statement

Mrs. Lowey. Thank you, Chairman Kolbe. And I welcome Deputy Secretary Armitage and Administrator Natsios, whom we will hear from later, to the second of what I hope will be a series of hearings on the President's request for supplemental funding for Iraq and Afghanistan.

As you know, last week we heard from Ambassador Bremer and General Abizaid on the Iraq request. Today, I intend to focus on several policy issues surrounding the war in Iraq and the plan to accelerate rebuilding efforts in Afghanistan.

We had an intense hearing last week and asked some difficult questions. Unfortunately, many of our specific questions on the details of the \$20 billion reconstruction request could not be answered adequately, and we hoped that the DOD and the coalition provisional authority intend to work with us as we move forward to clear up these ambiguities.

However, I want to again, at the outset, express my support for all of the men and women deployed in support of the various missions around the world, both military and civilian, who are being asked to risk their lives every day. My concerns and questions are not meant to reflect on their dedication and hard work.

As you know, Mr. Secretary, this committee took the position during discussion on last spring's Iraq supplemental, that the State Department, not the Defense Department, should take the lead in the reconstruction of Iraq. The conference

committee ultimately provided the initial funds to the President and gave him the discretion to designate the lead agency. The decision to give DOD responsibility for both the conduct of the war and the reconstruction was, in my judgment, a grave error. The result has been that the Coalition Provisional Authority seems to be operating completely independently of the State Department.

There were very serious disagreements in Congress about whether we should go to war, and there remain very grave concerns about the veracity of the intelligence we relied upon when debating this decision. We were told that we would be welcomed with open arms by the Iraqi people, and that Iraqi institutions would be quickly restored. That vision, put forward primarily by political appointees at the Defense Department, has proven to be seriously flawed and will ultimately be paid for by the next generation of Americans.

Did the State Department have a different view of the complexities that would confront us in postwar Iraq? Did anyone in either the State Department or DOD foresee the chaos that would occur after the invasion? Did the U.S. rely too much on information from Iraqi exiles, many of whom have lived outside of Iraq for years? Why were there no plans for reconstituting the Iraqi police force prior to the invasion? And why were we so unprepared for the lawlessness that occurred?

It is hard to conceive of this as anything but another massive failure of intelligence.

And I also wonder why no one seems to have heeded the lessons of history that rebuilding war-torn societies takes a huge commitment of resources and time. Were these tough issues ever addressed by the State Department, or did they clash too much with the preconceived notions of DOD?

Now that our troops are engaged, there is broad support in this committee and in this Congress to give them the resources they need to finish the job and to create a stable democracy in Iraq. And that is precisely why I am so disturbed by the irresponsible approach taken by the CPA for the reconstruction request and the continued refusal of the administration to level with the American people about the ultimate cost of the war.

As we considered the initial request for Iraq funding last spring, we were given the distinct impression that \$2.5 billion, along with other donor resources--oil revenue, seized assets--would be sufficient to cover rebuilding costs. Now we have a request for \$20 billion in front of us, no information about future costs and, you know, the estimates of the World Bank and the IMF and others; and the entire process is being managed by scores of government consultants largely obscured from congressional oversight.

I fear that because many Members of Congress traveled to Iraq in August and advised Ambassador Bremer to accelerate his efforts and request the funding he needed, there was a rush to put forward a plan that is nothing more than a comprehensive wish list with no contracting plan or implementation schedule behind it.

In spite of the growing costs and the President's appeal to the United Nations, the prospects for major participation of other donors, unfortunately, appear dim; only a few thousand

troops and a million dollars were pledged, and many experts believe that the opportunity for significant allied participation in Iraq's reconstruction is essentially gone.

As I indicated last week, the request for Iraq's reconstruction was put together by the CPA, without, it appears to many of us, the input of key implementing agencies. One result is that there is no additional funding sought for basic education; and if there is one thing I thought we had universal agreement on, it is the need for basic education programs, especially in Muslim countries.

There also are no funds for food or agricultural development, local governance, or political transition, areas where the State Department is experienced and tested.

I hope that we will have a frank discussion today, Mr. Secretary, about what role the State Department is playing and will play in postwar Iraq, what is the best path to political transition, and what the real prospects are for donor participation or more allied troops deployed to Iraq.

With respect to Afghanistan, I strongly support efforts to accelerate our reconstruction efforts there. But I do have questions about precisely how some of this funding can be put in place and the time frame envisioned. But we need to provide the tools to give that country a fighting chance to stabilize itself.

I am quite disturbed about continuing reports about the limited cooperation we are receiving from our Pakistani allies. The Afghan Government remains very concerned, and has been quite frank in saying that Pakistan may be cooperating with us in fighting al-Qaeda elements, but they are not cooperating in our efforts to root out the Taliban.

We have provided a robust aid package for Pakistan, and we are being asked in this request to again waive the sanctions on assistance for nuclear activity and provide explicit authority to forgive their debt. Pakistan continues to receive sizable reimbursement from us for their, quote, ``costs'' in support of DOD's mission there. And, in fact, \$1.4 billion is requested in this supplemental for foreign country reimbursement, most of which will go to Pakistan.

I hope you can provide us with a frank assessment of their cooperation in the war on terrorism that will give us confidence that continued aid is warranted.

I am also disturbed by reports that the administration intends to reorganize our effort in Afghanistan by bringing in a new team of top advisers. My assessment, based on my discussion, is that we are working feverishly on many fronts with a sound team of U.S. personnel and other experts. Progress in rebuilding is always slower than everyone expects. And there are some problems with cooperation among the various Federal agencies that work there. But those can be solved with better leadership.

There is a plan which accompanies this request for more aid, so I would hope that you are prepared to address it in detail today. Afghanistan, as we all know, desperately needs more trained teachers, new schools, a modern curriculum, more customs officials, more trained government officials, a new Army and police force.

Afghanistan, it appears to me, does not need a new set of

recently minted senior advisers whose arrival will complicate ongoing efforts to accomplish all of these things. Both our military and civilian personnel, based on all reports, are working extremely hard under difficult physical circumstances and under constant security risks. They are confused by what this new plan means, and I fear that it will have the opposite effect of what you may intend, that it will slow things down rather than speed them up.

I have also consistently expressed my concern about the plight of women in Afghanistan, who make up about 46 percent of the population and have been denied the opportunity to participate in their society for years.

I have met with Dr. Sema Samar, chair of the Afghanistan Independent Human Rights Commission and former Minister of Women's Affairs, and know that there is progress being made. And just in the last week, a group of women, including those on the commission that is drawing up the draft constitution, met to write a bill of women's rights. Those rights would include freedom of speech, freedom to vote and stand for election, equal representation in parliament and the judiciary, equal pay with men, and mandatory education for girls through secondary school.

But there is much more that needs to be done, as you well know, to make the promise of law a reality for women. The women of Afghanistan need and deserve us to make an extra effort to plan and implement programs aimed at helping educate men and women and empower women in that society. I see nothing in this new plan that responds to these concerns, and hope you will address that in your remarks.

Thank you again for appearing before us, for your service to your country, and I look forward to hearing from both Secretary Armitage and Administrator Natsios.

And I thank you, Mr. Chairman.

Mr. Kolbe. Thank you very much, Mrs. Lowey.

Mr. Obey, do you have some remarks?

Mr. Obey's Opening Remarks

Mr. Obey. Thank you, Mr. Chairman.

Mr. Secretary, before we get into the subject matter of the hearing today, I do think that we ought to note that this is a special day in the history of the Republic. Because today George Will and I stand as one in rooting for the Chicago Cubs to beat the devil out of the Atlanta Braves come this evening.

In fact, I have a proposal for national unity. This country has been divided on a lot of issues. People say that it is politically divided right down the middle. Can you imagine how we would unite this country if the Chicago Cubs and the Boston Red Sox actually played each other in the World Series?

I wish we could continue in that vein, but I guess we have to get serious.

I want to say that I agree with virtually everything said by the distinguished ranking minority member of the subcommittee, Mrs. Lowey. And I also want to say that I agree with much of what the chairman said, and nothing that I say should be interpreted in any way as criticizing the way the military conducted the war.

What I find is, every time someone questions what happened in the postwar situation, we often have administration defenders who will go back and say, I don't know what you are squawking about; the military conducted itself quite well in the field. And I absolutely agree with that.

I would also point out that before the war, virtually everyone understood that if it occurred, we would win it. I think it stands to reason that if you are going to spend \$350 billion-plus on defense and the other guy is going to spend 10, that you are likely to win.

But having said that, I want to get into my discussion about, or my concerns about, the postwar period. Last week when Ambassador Bremer and General Abizaid appeared before this committee, I said that I found it ironic that the people coming before our committee to ask that we pay the bill for a number of the miscalculations that preceded this \$87 billion request were not the political appointees who ran those policy decisions through the government, but instead, from the professional military and diplomatic services who, in my view, were given insufficient input into the decisions on how we ought to go to war or plan for reconstruction after the war.

And I find it equally ironic that the first political appointee to appear before us in arguing that we have to pay the price is someone who, I believe, would have led us down a more sound route if the judgments that he had made had been more closely followed than the judgments of the people who actually won most of the arguments.

I am sure, Mr. Secretary, based on our past histories, that if you and I had a chance to compare notes about issues around the world, we would find a number of issues on which we could easily disagree. But I think also that it needs to be said that you represent an approach to policy which is information based, and I, for one, appreciate that.

There are facts that represent essential realities in any situation, and people of different political philosophies and perspectives can often find agreement about the nature of those facts and develop policies that will receive and sustain broad support both at home and abroad, even if it is necessary to cut through differing philosophies in the process.

What I am saying, Mr. Chairman, is that I believe the gentleman who is testifying before us today lives in the real world, and his approach is, I think, much more disciplined than the approach that I think got us into this mess.

So far as I know, the gentleman before us today does not rely on selective intelligence. He does not generate new intelligence when there is little available that fits his preconceived notion of the way things are.

Mr. Secretary, I got my degree in political science, both at the undergrad and the grad level. But I have to tell you, lots of times political scientists drive me nuts. And I can't help but recall my major professor in undergrad was a fellow by the name of Ralph Hewitt. And I admired him because he was a practical Texan who taught about government as it existed, not as some theoretician thought it ought to exist.

And I think you often remind me of Ralph Hewitt, because I think you have a pragmatic way to approach these issues. I wish I could say the same for a number of other political scientists

who populate the government these days, who I think have never gotten over the effort to fit the reality of the world into their philosophy rather than the other way around.

And, Mr. Chairman, I believe that the witness before us represents an approach that is much like Secretary Baker or Secretary Eagleburger, an approach that tries to bridge partisan differences and build international coalitions, rather than easily allowing them to fall apart. So I find it ironic that he has been given the task to come up here and ask us to borrow the \$87 billion and ship it to wherever it is going to be shipped in support of this endeavor.

We are talking about two packages, as we all know, of assistance and reconstruction aid. By far the largest is for Iraq. And I have to say, Mr. Secretary, that the materials and testimony that we have received from the administration thus far leave me increasingly uneasy about the direction of that effort. It would appear that the administration wishes to deal with the struggling and underdeveloped economy, bereft of infrastructure and experiencing unemployment of 50 percent or more, by bringing international corporations with highly capital-intensive construction techniques into the area to provide hospitals, prisons, sewer lines, transportation, and electrical systems at a significantly higher cost than if they were to be built here at home.

I think we have made a lot of fundamental mistakes in Iraq, and I hope we don't make another one in using a high tech approach to reconstruction in an area that ought to be much more modest in terms of the kind of technology and approach that we use.

To me, if we go down the road that these justifications seem to indicate we are going to go down, we are going to be handing the taxpayers here at home an enormous bill to transport all sorts of heavy equipment across the ocean to build all of these things in ways that have never been built in Iraq before.

I don't understand again why we should be paying to build Iraqi prisons at \$50,000 a bed when Iraq has probably been building prisons for years at no more than \$500 a bed.

A less-expensive approach would be more labor-intensive. If you are interested in helping to resurrect the economy in Iraq, I would think that it would be better if we did that than to have the highly capital-intensive approach that appears to be put together in these justifications.

Frankly, when I look at some of those justifications and when I look at some of the postwar planning in general, two thoughts strike me: one, that it looks like it was put together by the President of an Optimist's Club, rather than someone with an understanding of the world; and secondly, it looks like the execution plans have been put together more like an MBA term paper than a document that reflects a realistic understanding of the society that we are wishing to operate in.

So those are my concerns, and I hope that we can get into them in some detail. We can have arguments about whether we should have or shouldn't have. The fact is, we did. We are there. We are stuck. And now the question is, how do we deal with it in the least expensive and most effective fashion?

Thank you, Mr. Chairman.

Mr. Kolbe. Thank you very much, Mr. Obey.

Mr. Secretary, we are pleased to have your statement at this time. Of course, the entire statement will be put in the record. So if you would like to summarize it, your statement, we would do that, then we will go to questions.

Mr. Armitage's Opening Statement

Mr. Armitage. Mr. Secretary, Mrs. Lowey, Mr. Wolf, ladies and gentlemen, thank you very much. I will just put it in for the record. In 1 minute I will reiterate exactly what our request is. And, of course, I will try to do my best to answer any questions any of the members want to raise.

I came here to talk about the State portion of the supplemental request for \$1.14 billion. It is a total of \$810 million for Afghanistan, of which \$799 million would be in foreign ops moneys, and \$11 million would be in Mr. Wolf's bailiwick; \$140 million for Iraq, of which \$50 million would be in the Foreign Ops account. This money would be for another multinational division which will be provided to Iraq--and I will get into that; Mrs. Lowey raised it; I will be glad to get into that during your questions--and \$90 million in State Ops funds. Again, that would be in Mr. Wolf's bailiwick.

And finally there is \$190 million for the global war on terrorism, which has \$140 million in your Foreign Ops budget, of which \$100 million is a complex contingency fund, and \$40 million is proposed in operating expenses for USAID.

Finally, there is 50 more million in State Ops funds. This is primarily the rewards money. I am fairly tapped out after Uday and Qusay's identification and death in terms of rewards money. I am trying to get well on that in the hope and anticipation that we will be paying that money out, as I say, in the hope for Osama bin Laden and Saddam Hussein.

That is where we are today. And I will be happy to try to answer any questions that you have.

[Mr. Armitage's written statement follows:]

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Mr. Kolbe. Well, obviously, Mr. Secretary, you are a lot briefer than the members are, in your opening statement.

Mr. Armitage. Well, I know who does what up here.

Mr. Kolbe. Thank you.

We will use the 5-minute rule today. We have fewer numbers of members here today, so hopefully we will be able to get through a couple of rounds.

Before I begin my questions, Mr. Secretary, let me remind members that whether or not we agree with it, the details of the supplemental request for Iraq were prepared and handled through DOD, so it would be helpful today if the questions either deal specifically with the specifics of Afghanistan or the general broad policy issues of Iraq and the Middle East, rather than details of the supplemental request for Iraq.

And in that light I have two questions, both of them in the general political area here, which I hope to get to in this first round, the first dealing with Afghanistan and

reconstruction.

Mr. Secretary, the attacks on the government of Afghan forces and private groups are limiting the reconstruction in the south and the east of Afghanistan. I think it is safe to say that. We have seen that over and over again. It has been reported to us by the people who have been here and continues to pose a threat to American and Coalition forces in and around Kabul.

Can you give us your explanation? I know you are about headed to the region, and maybe we should be having this hearing next week after you return. But can you give us an explanation of the revival of the Taliban in so many parts of Afghanistan? And to what extent do the Governments of Afghanistan and Pakistan need to do things differently in order to reduce this threat to Afghanistan reconstruction?

Mr. Armitage. I think we need to do it a lot differently.

You are exactly right. The problem areas are the south and the southeast primarily. This is a classified chart, but it has the west and the north basically green, and the south and the east, and occasionally the north, yellow, where we have had increased Taliban activity.

I believe the reasons are quite obvious why these areas are so fractious. It has to do with Pashtuns coming across from the Pakistani border, particularly the tribal area, causing trouble and running back into the federally administered tribal area.

I believe it is fair to say that they have some differences of opinion about the direction that Chairman Karzai is going, even though he himself is a Pashtun.

It is our hope to get more and more provincial reconnaissance teams out there. I am going to Kandahar deliberately because of the situation that you mentioned, before I go to Kabul, because I want to be able to talk with the new governor about what we mutually have to do to get that area into better shape. The Taliban, we believe, over the past 4 or 5 months have increased in number.

But I must say, Operation Mountain Viper, which is ongoing, has been quite consistent in being able to root out and bring down a certain number. Their numbers are up, but I think our soldiers are finding their contacts bearing much more fruit in terms of enemy KIA and whatnot.

Mr. Kolbe. Would you add something to that about Pakistan and their role in this, and what they should be doing? I know you are going to be meeting with President Musharaf.

Mr. Armitage. I will indeed. I think President Musharaf, first of all, has a tough row to hoe. He is trying to manage a political process. He is trying to manage the situation with India, and he is also trying to manage with President Karzai.

We have engaged with both Pakistan and Afghanistan in the trilateral arena to try to bring a little more understanding between, particularly, President Karzai and President Musharaf. I personally believe that President Musharaf is intent on being supportive of President Karzai.

The ability of the Government of Pakistan, particularly the military of Pakistan, to operate in the federally administered tribal areas is significantly inhibited, and is one of the reasons in our regular Foreign Ops budget that we have put a certain amount of money in to try and develop roads, schools,

and clinics, to try and get a little more government insight and inroads into the tribal area. But it is basically, as far as I am concerned, a no-man's land.

There is one other reason, I think, that I would like to call to your attention: There are problems in the south. This is the Kabul-to-Kandahar road. This road is troublesome to the Taliban, because it is rather dramatically empowering everybody who lives along it, even if they are 10, 15, 20 kilometers off the main road. It is cutting down dramatically the amount of time it takes products and goods to move that you are getting people empowered. This is not what the Talibs want. This is why they are trying to kill the workers on that road.

I am sure that Andrew Natsios can go into excruciating detail on this. He has spent so much time on that road.

Mr. Kolbe. I have limited time, but I am not going to forget this next question, because I think it is so important. This is also broad policy, a question on policy, and it relates back to Iraq.

I think what we are going to find up here on this supplemental is a large effort--and, frankly, a bipartisan effort--to try and convert the supplemental into a loan, basically, to Iraq.

I am not sure who signs that commitment on the part of Iraq since there isn't a government and there won't be an elected government for some time. But I am wondering if you would provide your views about this issue.

Why not? Everyone says lots of oil revenues. Why not do this as a loan instead of giving it as assistance? And you might add to that, in your answer, if it was done as a loan, what kind of impact do you think this would have on the Madrid donor conference?

Mr. Armitage. Yes, sir. That would be part of my answer anyway.

I think I have three basic views. First is one that was well discussed up here; that is, when the total of debts that Iraq owes, plus reparation debts, both brought about by Saddam Hussein--there is a pretty crushing debt burden on the people of Iraq, and one I don't think we would want to increase.

Number two, the Madrid donor conference on the 23rd and 24th of October, which will be attended by Secretary Powell on our side, is meant to be, in the large sense, a grant donation, rather than loans. I think if we went to loans, then that would probably encourage other countries to follow suit and provide loans.

And, third--I think this is not inconsequential--the perception of coming as both liberators and staying there and loaning money.

I think they are three considerations that are worthy of some discussion.

Mr. Kolbe. I think we will probably have some more discussion on that as we go forward.

Mrs. Lowey.

Mrs. Lowey. Thank you, Mr. Chairman.

And, Mr. Secretary, what I would like to do, because there is limited time, is pose several questions regarding the State Department role in Iraq; and then, if you could respond in the limited time, I would appreciate it.

First of all, Secretary Powell is apparently exploring with allies the concept of installing a provisional government in Iraq, backed by the 1958 constitution. And this conflicts directly with Ambassador Bremer's insistence here last week that a new constitution, ratified by a popular referendum, would precede any new government in Iraq.

Number one, can you clarify where we are on this? Do State and CPA have different views? Who calls the shots on these matters? And how often do Secretary Powell and Ambassador Bremer speak to each other?

Number two--I know you can keep all of this in your mind--what precisely is the State Department's role in postwar Iraq? Because it seems to me that other than INL programs for police training, and the Secretary's periodic entreaties to other potential donors, it seems to me that the State Department is essentially out of the game.

Number three, can you realistically assess what support we can expect from other allies to the rebuilding of Iraq? What magnitude of pledges do you expect from next month's donor conference? The need is \$60 billion. Will we even get close to a billion from other donors?

Fourth, do you have any comment on why our planning for post-invasion Iraq did not anticipate the immediate need for police to prevent the chaos and destruction?

And, lastly, did State have an input into Ambassador Bremer's decision to disband the Iraqi army, which put thousands of armed men on the street without any pay, no reason to support America.

And if you could just address those issues, I would appreciate it.

Mr. Armitage. Thank you, Mrs. Lowey.

I am unaware of Secretary Powell's trying to put a provisional government in place. In fact, when we had interagency discussions prior to the formation of the Governing Council, we had reacted against--the whole administration had--against a provisional.

Mr. Bremer--Ambassador Bremer and Secretary Powell speak to each other on the phone occasionally, but they e-mail, if not every day, pretty close to that.

What is our role in postwar Iraq? We have 42 officers there now. And I don't want to make light of it, but both Ambassador Bremer and his second, Clay McManaway are both State officers, and the guy who is running the ``railroad'' is Pat Kennedy, one of our administrative officers.

The other officers are spread out. We have them, like Mike G. Foeller, down in the southern region working with the Shi'a. We have others working with the Kurds. It is our hope, now that Ambassador Bremer has asked us to come forward with another approximately 60 officers, that we will be able to people many more of the provinces with State officers, the high majority of which we hope will be fluent language speakers.

On the question of the Madrid conference, I am not going to prove myself a fool by estimating a number which I can't back up with anything other than air. But I will say that Secretary Powell sent Under Secretary Larson out tonight to go to Berlin, Paris, and Madrid in preparation for this conference. The Secretary and Secretary Rumsfeld are in a series of

consultations trying to get more money.

We have worked intensively with the Japanese, and I predict that they will have a generous pledge at Madrid. I can't put a figure to it. With your indulgence, I think our effort will be aided enormously if we are able to move forward with another resolution.

Secretary Powell and the President engaged in discussions of a new resolution with many of our friends and allies last week in New York. The Secretary spent yesterday, and, indeed now, in internal deliberations with our colleagues here in the administration to fashion a proposal to put forward.

If we move forward on a resolution--that would mean toward the end of this week--would result in much more in-depth consultations with particularly the 15 members of the Security Council. And if we are successful eventually in getting one, it will have several elements, two of which will directly address your question, Mrs. Lowey.

One of the operative paragraphs would clearly be a call from the United Nations for bilateral donors to step up. And the second, and perhaps even more importantly, would be sufficient authorization, we feel, to allow the international financial institutions and the World Bank to make moneys available. Under their bylaws, as I understand it now, since there is not an entity, a state, they cannot move forward. But it is our understanding that the United Nations resolution, if we are successful in getting one, would allow that.

Did we have any input to disband the army? We did have input. We had discussed this, interagency. In fact, we were not of a mind to disband the entire army at once. We were of a mind to decapitate it down to a certain level, and keep soldiers there.

When Ambassador Bremer went into Iraq, he confronted a situation, I believe, which was not satisfactory. We had had 3 weeks when nothing was going on. The situation had been allowed to deteriorate. Jerry stepped up and made a rather bold stroke and disbanded the army. And he also had a decree on de-Ba'athification, which he would say, I believe--he has said to me and, perhaps, to Mr. Lewis this week--was one of the most popular things that he did. Now we are in the process of having to call some of those young men back and training them as facilities protection people, et cetera.

On the question of the current planning, I guess your real question is, Why was it so lousy?

We did a lot of planning, and I know, because I had to sit there, and I was part of the planning. And it wasn't so much that the assumptions were so terribly flawed. I believe it was that--and I have said this self-critically--there were two elements that I personally dramatically didn't understand. The first was the aura and fear of 35 years of Saddam Hussein. I didn't realize the corrosive nature of that on the psyche. It was only brought home to me when someone finally said, Well, he ruled three times as long as Hitler ruled Germany; you should have known. And I guess I should have known.

And the second was the extent to which the society, because of sanctions oddly enough, had become such a criminal enterprise as well as a thuggish enterprise. I had no concept of it.

Mrs. Lowey. Thank you very much.

Mr. Kolbe. Thank you very much.

Mr. Lewis. And we welcome you back from your recent visit to Iraq.

Mr. Lewis. Yes. We have just come back from a very intensive and grueling weekend in Iraq. But an incredible, incredible experience. And before anybody speaks a lot about this subject--that is, Iraq in general and the direction we should be taking--I would recommend that those who would choose to do so involve themselves in such a trip in this kind of depth--while grueling, very, very important in terms of information base.

I was intrigued with your being here. As David suggested, one of the real talents within State's operation, and I appreciate the work that you do. I must tell you that I would much prefer to come to a hearing like this and listen to your detailed evaluation and analysis of circumstances in Afghanistan or Iraq or otherwise, rather than have you speak for 3 minutes while we talk for a half-hour.

But in the meantime, that is part of the process around here; this is the Congress. But sometimes I worry about members answering their e-mail while witnesses are testifying. If they don't testify at all, well, I guess that is okay.

But back to another point. We spent a couple of hours in what was supposed to be about a half-hour meeting in a session with the Coalition leadership that was run by Ambassador Kennedy. Ambassador Bremer was back in country here; we met with him just before we left.

But that session with the Coalition leadership was incredible in terms of its information base. There were 17 members on this trip; each of them participated actively in the session. But they did so because the information--in response to our questions, was so good--a great job being done by those people in terms of recognizing that we are there to provide the opportunity for freedom and hopefully a government that is of their making, that would be designed in democratic form. But clearly a sense that progress is being made that is very, very important.

I am concerned about Afghanistan, concerned very much about Iraq. But the question that I would like to pose to you is that very clearly over the last many years we have made many a mistake in a country like Afghanistan. We came together, we played a significant role in forcing the Soviet Union out of Afghanistan. And suddenly, some years later, we find ourselves with the Taliban; that the base of those forces that we would--we judged to be the key elements of the war on terrorism.

We left a vacuum following that first effort. There was no foreign policy over a number of years. And there is no single administration involved here; it covers the gamut, and the Congress--for we tend to respond to crises only, it seems. In Iraq we have got challenges that are similar; and there is every chance that we will leave a vacuum there once this immediate crisis is over.

Would you help me with the Iraq--the Afghanistan problem and relate that to our challenges in Iraq?

Mr. Armitage. You really strike a chord with it.

First of all, this process is one that actually we--I think

the chairman would verify this, or Secretary Powell, my colleagues at the State Department--enjoy. We do view it as a process.

I was joking with Mr. Obey before we started. I brought a copy of the Constitution because the last time he questioned me very closely on whether I had read and understood the Constitution. And I know what Article I and Article II are.

We see this as a process. That is the way we look at it. It is not to be feared or not to be run away from; it is to be enjoyed and to use it as an exchange.

I am very troubled by my own participation in Afghanistan in the 1980s. I was an Assistant Secretary at the Department of Defense, and among my duties was, about once a quarter, to go to Afghanistan and to Peshawar and make decisions, along with our CIA colleagues, about provisions of weapons, et cetera, to the different--seven different groups which we were involved with.

But we were so single-focused on the objective of getting the Soviets out and jabbing them in their soft sort of Islamic underbelly that we--I can't speak for the Congress, I will speak for us--we didn't care. That was our objective. We wanted to get the Soviets out. And we were left with a vacuum because we didn't even think about what would come next, and we couldn't imagine the horror of bin Laden.

I have got a little self-criticism.

I think having been through that, most of us don't want to leave it in that kind of situation again. Certainly, in Afghanistan, this acceleration of success is all aimed towards the June elections. No matter who wins, we want the Government of Afghanistan to feel that we were with them, we led the international community into the betterment of that society, whether it was the empowerment of women--and I would say, very much part of that empowerment of women is something you didn't mention, Mrs. Lowey, which is health and maternal health and cutting down the infant mortality rate, which is in this supplemental, which is about as empowering a thing for women as I can think of.

In Afghanistan, I think we are proven. In Iraq, it is a much more complex situation. The whole debate we have had in the international community surrounding--or the major debate--has been about how fast we turn things over to an Iraqi authority, hopefully, an elected authority. Our view is that the best chance to make this lasting is to have a constitution and have an election, at which time Ambassador Bremer and his colleagues are no longer sovereign, and Iraqis are sovereign.

Some of our international friends want to have it tomorrow or next month. I defer to you, but it is a little quick. We are not quite ready. In that regard, the development of this constitution is perhaps the most important thing, because if we can get a non-homogeneous society to agree on a constitution, I think we will have really done ourselves a favor.

Mr. Lewis. Well, Secretary Armitage, to that point, one of the most significant impressions of our entire group was the progress that is being made in Iraq, in a very, very serious way, with people like Ambassador Greenstock, who is a fabulous guy, a fellow by the name of Clayton McManaway. Their response was very much on target. We want to, hand in hand, take Iraqis

down a pathway where they can build their own government the way they would have it.

And the progress that is being made, relative to training the police force, beginning to lay the foundation for a new army that can secure their borders, et cetera, we hear none of that news. That is not even reportable. Clearly, it is not of interest to those who are in the public carrying forward the public dialogue, at least from the media side of this question.

Little doubt that the stage is set for them to develop their own Constitution and a referendum, putting, I must say--I would like you to respond to this specifically--and Secretary of State suggested that this would be done in 6 months.

I personally wonder if that is not a serious mistake to put a 6-month deadline when Iraqis ought to choose when they are ready with the presentation of their Constitution. Surely, one might be setting themselves up for failure, because the media has set a date out there and at that point in time if they haven't done it, if it is not ready, then obviously they are stumbling, incapable and a failure.

Mr. Armitage. Yes, sir. The question of leading people to progress is a tricky thing, first of all because we want to do it as a partner, not as a patron. These are not unsophisticated people, and that is tough. That is a tough thing to figure out how to do it as a partner and not as a patron.

On the question of the deadline, when Secretary Powell mentioned that he was in complete coordination with Ambassador Bremer and he said that he thought 6 months was sort of a reasonable time period and interpreted it as a deadline, the reason he did that was to try to give a certain sense of urgency to make Iraqis sit down and think about it, but he didn't intend to put himself in a box of exactly 6 months and after that it is a big failure. It is a sense of urgency that we want to inject, and it is for Iraqis to take control of their future. That does not mean in 7 months they would have elections. The Secretary went on further to say on one of the national TV shows that a year, year-and-a-half, that is more the whole time period that we can envision this thing taking place and that way it was very closely coordinated with Ambassador Bremer.

I questioned the Secretary on this, knowing that someone would ask me about this, sir, this morning.

Mr. Lewis. Thank you.

Mr. Kolbe. Thank you, Mr. Lewis, Mr. Secretary.

Mr. Obey.

Mr. Obey. Mr. Secretary, one question on Pakistan.

As you know, if you talk to people in the Afghan government around Karzai, they will tell you that it is their belief that the Pakistani government cooperates with them with respect to al Qaeda but does not cooperate with them with respect to the Taliban, and that Pakistan is, in fact, playing a ``did you believe'' game with us on the issue of the Taliban.

I don't see how we can sufficiently bring that area under control until we are able to deal with both, and I see the gentleman who just walked in the room knows as much about this as anyone, Charlie, but I guess I would ask you to comment on that.

Mr. Armitage. Are you asking Mr. Wilson or me, sir?

Mr. Obey. No, I am asking you. If Charlie wants me to ask him, he is going to have to run again.

Mr. Armitage. Yes.

Mr. Obey. But I would like to know your response.

Mr. Armitage. Your analysis of what those around Karzai say is exactly correct about their feelings and their feelings are based on several things. The major security ministries around President Karzai are manned by Panjshir, not all of them but many of them, and they have had a conflict with the government of Pakistan and the policy of the Pakistani government for a decade or more. That is one of the reasons. They would be springloaded to be having this opinion.

The second is, as I have indicated, the tribal areas are rife with Pashtun supporters who are running across and causing trouble. I personally believe that President Musharraf is genuine when he assists us in the tribal area and he has from his side of the border, but I do not think that affection or working with us extends up and down the rank and file of the Pakistani security community.

Mr. Obey. Well, I don't know how we deal with this problem eventually without getting better cooperation from Pakistan on that.

Mr. Armitage. Absolutely.

Mr. Obey. Better than we are getting.

Let me ask you with respect to Iraq, and this is a complicated question: Who is really doing the shooting at us?

I mean, I am sure you have some who are simply diehard Saddam regime supporters who are still out to nail us, and I would expect that some of them are outside terrorists who have come into the area in the turmoil and are now using the opportunity, and I would suspect that some of them may also be from the Sunni population who have run the country for years. They don't think that our future plans will do much to include them in a significant way, and how we answer that question has long-term implications for American policy and long-term implications in terms of what the American people and this Congress need to be prepared to face on this issue.

Mr. Armitage. Yes.

Mr. Obey. So what is your answer to that question?

Mr. Armitage. I will give it to you in descending order in terms of numbers, as I understand. The first is what we refer to as FRL, which is former regime loyalists, and they included Baathist and obviously Sunnis who would be disenfranchised.

Second in descending order would be foreign fighters. Let me be clear, I am not saying these foreign fighters are al Qaeda. They are not unlike the people who travel to Bosnia and other places--if you will allow me the expression--to make their bones. These foreign fighters number anywhere--estimates from several thousand to 1,200. There are more coming in. The Syrian border is quite porous, the Iranian border is somewhat porous. And already in captivity we have got Sudanese, Yemenis, a few Saudis, and I think the largest number in captivity of foreign fighters are Syrian.

Third, from my point of view, is Ansar Islam, perhaps the most dangerous, who we believe is involved in the major terrorist activity. I am talking the bombings, sir, the major bombings.

And lastly criminal activity. Those would be those who are shooting at us.

Mr. Obey. What do you think will happen to our relationship with the Sunnis over time if they don't begin to feel that they are going to be cut into more of the deal than they appear to be cut in right now?

Mr. Armitage. Well, they are cut to a certain extent into the governing council already, and we have to continue to make sure that, as we put forth our views, to have human rights, that they feel they are included. I can't gainsay Mr. Lewis' recent trip out there, but I would say I was so heartened by what happened yesterday and the day before where we had U.S. Forces and Iraqi forces together going into Tikrit, into the alleged hometown of Saddam Hussein, in a joint operation. These are the kind of things that seemed to me to indicate that some Iraqis are standing up and saying we are not bad guys, but it is like anything else. Speed is of the essence.

Mark Twain reminded us, even if you're on the right track, you get knocked over if you're not going fast enough. I think there is some of that, too.

Mr. Obey. And what about the question I raised in my opening statement? Isn't there a way that we can bring into that country, in terms of the reconstruction efforts, less ambitious technology, lower cost approaches to dealing with health care and to dealing with some of the other major reconstruction issues?

Mr. Armitage. I think the short answer has to be yes, but I saw your exchange with Ambassador Bremer, Mr. Obey, last week, and I also saw the answers which he gave, which were good. He knew stuff I didn't know, and I am talking about availability of concrete and cement and all that. Can we do it more cheaply? Yes. Should we? I don't know.

Mr. Obey. My time is limited so let me make my last point.

What I am concerned about is that I think we are committed to an old way of doing things, which is very expensive because we are relying on these big international companies, and to me, we need to get into a micro approach to these problems.

Mr. Armitage. It is a question worthy of some discussion, and I hope when Andrew Natsios comes up he will address it. He also told me something today that made me very happy, but it was that Bechtel, which is one of those companies, was employing 29,000?

Mr. Obey. 35,000.

Mr. Armitage. 35,000 Iraqis, which sounded pretty good to me. So it is a worthy question.

Mr. Obey. Thank you.

Mr. Kolbe. Mr. Obey.

Mr. Secretary.

Mr. Lewis before you came in, I acknowledged that you were going to be joining up, and we appreciate your being here today because we know some of the items in this request--Mr. Wolf, excuse me--deals with your subcommittee and we would like to recognize you now.

Mr. Wolf. Thank you, Mr. Chairman. I am flattered that you thought--that you called me Jerry Lewis, and I want to share Mr. Lewis' comments with regard to the vacuum, too.

Mr. Secretary, I appreciate your being here, I appreciate

your service, not only at the State Department, but I believe you wore the uniform, sir, in Vietnam once or twice?

Mr. Armitage. Four times.

Mr. Wolf. Four times, and I want to thank you for your candor.

Mr. Armitage. It is important.

Mr. Wolf. Your candor is very important. I want to read today the editorial in Sunday's Washington Post, which says whatever one's position on the war is it would be foolish now to withhold the resources needed to enable the enterprise to succeed. And I am going to support it in its entirety, although I would not want my support to be viewed as I completely agree with everything and every way that is being done. But this is not the time to say we are not going to do it or we are going to do it only in a loan, and I would hope that the administration would be more open to suggestions and ideas and, quite frankly, more humble sometimes if there is a better idea that comes from some other place.

When John Hamre went to Iraq in July, the CSIS, he came back with a number of recommendations. One was he said the Coalition must facilitate a profound change in the Iraqi national frame of mind. This would involve an effective intensive communications and marketing campaign, not the status quo.

We had looked at the language and there is not a single dollar for a program to communicate our view. Should we not have something in there with regard to a major public diplomacy program?

Mr. Armitage. I think it is covered in the \$2.4 billion in the previous supplemental.

We have had, as I have privately been able to explain to you when we met, a lot of angst about our left-footedness on the question of public diplomacy. We were very slow off the mark and the one who is maddest and most angry about it is the President of the United States. I think we have righted it somewhat. We are taking some programming from Kuwait, I think, and some plan to take some programming from Dubai and program it in, things of that nature. This is particularly important as we move into Ramadan, and people are at home and not so vigorously traveling in the streets.

We have also sent new personnel out there, and I think we have turned a corner. But someone who had just been there perhaps is better informed, and we wouldn't argue at all with the absolute need for public diplomacy and the absolute fact that we were slow off the mark, but I know Ambassador Bremer has been all over it because the President has been all over it.

Mr. Wolf. So perhaps we should put some additional money in, particularly to compete with al-Jazeera and some of the other ones.

Mr. Armitage. There is no word that the governing council decided that al-Jazeera and al-Arabiya are not worthy of broadcasting into Iraq.

Mr. Wolf. The other issue is, to leave this subject a little bit, Liberia. The United States recently voted in the Security Council to establish U.S. Peacekeeping forces, 15,000 troops. Liberia is continuing to fall apart, if you have been

reading the stories, as I know you have. We pay a large share of the mission there and the force will be deployed next week and the Department expects to receive a bill from the U.N. for 2004 for well over \$200 million. There is no money in the request for 2004 or in the supplemental.

Should we not deal with that now?

Mr. Armitage. I knew both you and Mr. Jackson are interested in Liberia, so I brought the latest on it. When we put together the supplemental, the decision was made to be absolutely clean and clear on Iraq and Afghanistan.

However, I described earlier the section on \$100 million for complex contingencies. While members of the administration have been up here briefing both the House and the Senate, we made it clear that that money, if the Congress finds favor with it, could be made available for Liberia or to a lesser extent Sudan, sir.

Mr. Wolf. Well, that was my next question: Shouldn't we put something in here for Liberia? Or, okay, I am not trying to put you in a spot. It does seem to me that if there was a commitment and the bill comes and the bill would be well over \$200 million, then the special relationship that the U.S. has had with regard to Liberia, the next vehicle would be in 2005.

Mr. Armitage. Yes, and by the way, we do have FY 2005 money that we suggested to OMB. The bill will move forward eventually to both Sudan and Liberia.

Mr. Wolf. Okay, I think I understand your answer.

The other one is Sudan.

Mr. Armitage. Thank you for the press release.

Mr. Wolf. The administration has done an outstanding job, I think the President, you, Assistant Secretary Kansteiner, former Senator Danforth. The peace agreement was signed last Friday.

Should the Congress not have some money in the supplemental to deal with an issue that has been going on for 20 years, 2.1 million people killed, slavery? Osama bin Laden lived in Sudan from 1991 to 1996. I am afraid if we don't have something to help out here and we are using that allocation for Liberia for this and for that, should there not be something in here for that?

Mr. Armitage. My lack of response is kind of along the lines of Liberia. However, on Sudan you have been very much part of it. We have been working so rigorously on it that I realized I have had to have one eye taking some money out of hide. We'd have to come with a reprogramming, should we be so fortunate on the 14th or so to get a solid agreement instead of an initial agreement, and I would be able to move forward with some moneys in the south. There is an absorption question there, but I would be able to do that, while in the north the things that we would be doing would be more political, such as moving to a more normalized relationship. We don't need the sort of assistance in the north as we need in the south.

Mr. Wolf. Well, thank you, Mr. Chairman. I thank you for the opportunity and, Mr. Secretary, I thank you for testifying.

Mr. Kolbe. Thank you.

Mr. Jackson.

Mr. Jackson. Thank you, Mr. Chairman, for the time and I want to welcome Deputy Secretary Armitage back to our

subcommittee.

Deputy Secretary Armitage, I want to discuss Liberia, an issue that is very dear to me and many members of the Congressional Black Caucus, and if there is time in the second round I will focus more on the issues of Afghanistan and Iraq.

As I shared with you in our last hearing, I have grave concerns about whether or not gunpoint democracy will actually work in Iraq. If this democracy is not born of and by the people of Iraq and as long as we have troops in Iraq, it will always be seen, and has the potential to be seen, as the oppressor's government or the government of occupation's idea of how we should be living.

I am very interested in hearing your comments at the appropriate time for the groundswell for democracy and whether or not it is a generally led movement by the people to establish a Constitution and move in that direction, but I want to go to the question of timing as it relates to Liberia and pick up on some of the comments raised by Chairman Wolf.

As you know, the past several months have witnessed the removal of Charles Taylor from the presidency of Liberia, a ceasefire agreement ending the civil war and the ceding of transitional government to bring the beginning of a democracy and permanent peace to Liberia.

Liberia was still at war when your fiscal year 2004 budget was presented to Congress and that budget does not reflect the recent progress made towards peace and reconciliation.

Through this supplemental we now have an opportunity to move this process forward and bring peace, security and democracy to Liberia and the neighboring countries. Because of recent positive developments in Liberia and because there is inadequate funding in the fiscal year 2004 foreign operations bill to address these developments, do you think this supplemental provides the only opportunity to immediately support the progress towards peace, security and democracy in Liberia?

Mr. Armitage. No, sir, I don't. I think it is an opportunity with complex contingency moneys, but I don't think it is necessarily the only opportunity. We have already been able to move some moneys around internally to accommodate the most pressing needs in USAID, and their disaster assistance teams have been all over Liberia. I don't dispute your analysis of where we are, but we are looking right now at Mr. Blah leaving on, I think, the 14th and Jyude Bryant taking over the transitional government for 2 years. He is taking over a government which consists of nothing.

Mr. Jackson. There is nobody?

Mr. Armitage. There is nothing. It has been looted, it is all gone, zero, including capacity. I think in the short to medium term--and I stand to be corrected by my colleague Mr. Natsios--we are going to be spending a lot of time continuing to stabilize the humanitarian and the health and malaria, et cetera, situation.

The humanitarian situation has been stemmed because of the port opening and the ships coming in and we will have to move gently but steadily into a rule of law and governance situation and some conflict resolution as well.

Mr. Jackson. Mr. Secretary, but you are well aware, sir,

that it will be October first of next year before this Congress and this committee are able to provide appropriations for Liberia, money needed to secure the peace in Liberia; you are well aware of that?

Mr. Armitage. Yes, I am.

Mr. Jackson. And you are telling us there is sufficient money available in order to secure the progress that has been made since this committee considered its last bill?

Mr. Armitage. I did not say that.

What I said is this is one vehicle but not the only vehicle. I did not talk about sufficiency, and I don't have any sense myself of how great those needs are. I suspect they are pretty considerable.

Mr. Jackson. Mr. Secretary, peace and stability in Liberia will stabilize the whole Mano River subregion and surrounding countries and open the way for West Africa to become a stable, democratic sub-Saharan region of Africa.

We must support the transitional government to lay the groundwork for free and fair elections and support the development of a transparent and efficient new government.

We provided support for the ceasefire and the peace process and now have a transitional government in place. Our assistance now is needed in order to consolidate the peace, help the transitional government, establish the basis of a sound, legitimate and transparent government and prepare for elections.

If we fail to act on the progress toward peace and stability that has been made in Liberia, do you think Liberia and Western Africa are in danger of becoming a potential breeding ground for terrorism?

Mr. Armitage. Yes, I do.

Mr. Jackson. Would you explain?

Mr. Armitage. Well, it has been a terrible neighborhood and through the tremendous efforts of the British and ourselves with the support of the Congress, we have made a lot of progress in Sierra Leone. We have stopped the madness. The work that has to be done with maternal mortality and death rates of infants is staggering. It is the worst country in the world for that.

To have the same sort of disarray next-door, almost next-door in Liberia, would be an automatic invitation for terrorism.

Mr. Jackson. But, Mr. Secretary, you do agree that this is a potential breeding ground for terrorism, if, in fact, I assume that Congress and this government does not act to secure the peace?

The vehicle that is presently leaving Congress, the terrorism/post-Iraq reconstruction supplemental, it appears that this is the appropriate vehicle for addressing terrorism in terms of the U.S. Government's commitment to addressing potential breeding grounds. The President has been very public in his statements and his concerns that without this money Iraq could indeed slip into a terrorist haven, that securing democracy is important now.

Mr. Secretary, it just appears, consistent with Chairman Wolf's concerns, that this is the appropriate vehicle as we advance the global war on terror to secure democracy in an area

that you yourself acknowledge to be a potential breeding ground for terror.

Mr. Armitage. Mr. Jackson, if I might try to respond. I am not empowered to say open up the bill, but I will tell you where the majority of our efforts have been and where they are going to go, in addition to what Mr. Natsios' excellent team is doing on the ground.

This is not a secured peace, although we will hopefully transfer to Jyude Bryant here on the 14th or so the transitional government, and the reason I say that is there is still some instability. We are looking for a total of 15,000 blue-helmet troops. We have 3,566 ECOWAS troops in there now. They will be joined within the next 10 days to 14 days by Bangladeshis and Irish to bring the number up to 5,000. I think it is in March or April, 2004 that we will be flowing other voluntary contributions, and we will have to pay our share of the peacekeeping. It is going to take about 15,000 troops, according to Jacques Klein, the Secretary General's Special Representative, so we have to do that, too. And I am not suggesting that we can't do two things at once, that securing the peace can't go hand in hand with securing the movement toward some sort of representational government, but I would say we are pushing hard on the first right now. But I am not arguing with you for the need.

Mr. Jackson. Thank you, Mr. Chairman.

Thank you, Mr. Secretary.

Mr. Armitage. Thank you.

Mr. Kolbe. Before I call Miss Kilpatrick, let me note just in response to the questions both from Mr. Wolf and Mr. Jackson that there is--and the Secretary has alluded to this--there is the request, the item in this request, for the emergency fund for complex foreign crises, \$100 million to support peace and humanitarian intervention operations to prevent or respond to foreign territorial disputes, armed ethnic and civil conflicts, proposed threats to regional and international peace and acts of ethnic cleansing, mass killing, or genocide. It seems like it is tailor made for the situation we have in Liberia.

Just to point out that there is something available there.

Miss Kilpatrick.

Ms. Kilpatrick. Thank you, Mr. Chairman, and thank you, Mr. Secretary, again for coming and for the service that you have provided for this country over the years.

Mr. Armitage. Thank you.

Ms. Kilpatrick. This supplemental includes--and I am just going to read a couple of them because this is appropriations. I haven't heard numbers too much this morning. We need to hear that background.

I, too, agree with what was said earlier. I would much rather have you come and give us picture because many of us haven't seen it, and I do want to hear from you.

We tend to ask our own questions and not get lost in the total picture for this Member.

Mr. Armitage. You are scaring me.

Ms. Kilpatrick. I don't mean to do that.

Mr. Armitage. Which means trouble when I go back home.

Ms. Kilpatrick. I do not mean to do that, but this supplemental includes among other things \$222 million to

support a multi-ethnic national army in Afghanistan, \$35 million for the presidential protective detail, \$10 million for rule of law projects, such as training prosecutors, judges, and so forth, \$37 million to support a border education drive, or we say drive. It will probably be something else there.

\$105 million for roads, and we could go on and on.

There are a couple areas I want to point out, \$45 million for private sector initiatives, \$40 million for schools and education, \$28 million for 90 additional health centers.

Iraq is about the size of California; Afghanistan something a little smaller. I think the American people support this initiative that we ought to rebuild. I think the magnitude of it in reconstructing Iraq and Afghanistan better than they were before, much better it seems to me, the way this country's going if we don't watch ourselves. I think my constituents or what I heard all the month of August and right before coming to this meeting today, many feel that we are really reconstructing both Iraq and Afghanistan to the disadvantage of our own country. Why are we, as was mentioned earlier, and I think my ranking member mentioned the word the ``optimist club.'' We would all like to see better, we would all like to see the best but also here in America as well.

I am for rebuilding it as much as we can, but not at the risk of our own education, our own roads, our own health centers, which is what I see here.

Please provide your perspective for me. Why are we going to the Cadillac when we can give them the Ford?

Mr. Armitage. You want me to speak of Afghanistan in that regard or Iraq, ma'am?

Ms. Kilpatrick. Both.

Iraq is what----

Mr. Armitage. Afghanistan, I don't believe, is too much of a Cadillac, and I will just take a second there, and then I will move to Iraq.

We are talking about trying to bring health care into schools, to women, to people who haven't had care at all. The difficulty is that about 16 million Afghans live outside of any of the major cities, and our goal is to try to get every man, woman and child within about 4 to 6 hours of a clinic.

Ms. Kilpatrick. You understand that people in America don't have similar situations, right? You understand in America there are 43 million people that don't have health care?

Mr. Armitage. I understand very well, ma'am.

Ms. Kilpatrick. So my point, and I heard what you said about Afghanistan and we do need to help them and I think America has said let's help them, but with over 60 percent saying it is not to the tune of \$87 billion, and I am trying to understand it.

Mr. Armitage. Yes, Mr. Obey and I, as you saw, engaged in a little bit of this. I think he would agree with you it is somewhat of a Cadillac model in Iraq. I think it is quite a different situation. It is quite a different situation when you talk about educational levels in Iraq. It is also quite a different situation when you talk about potential in Iraq.

We have a lot of work to do, and so do the Afghans, to come up to any sort of standard, whether it is in health care or education. In Iraq you can have, I believe, if we are

successful, a functioning society which can have a very moderating effect on the whole Middle East. And it gets to one of the questions the chairman alluded to in his opening statement, about how Iraq fits into the Middle East, and I will go through what our policies are in the Middle East in a second, but I think you have to see Iraq as part of something that is connected to other things.

Ms. Kilpatrick. I do. I do, and that is the other thing that I am talking about.

We were presented last week by Mr. Bremer and others, this is a 15-month operation, this \$87 billion will last for 15 months.

First of all, you won't spend \$87 billion in 15 months to do all the things that you have testified about this morning as well as what we heard about last week. You won't spend it. At the same time, it is adding to our debt. We can't invest in these very same things at home. It doesn't make a lot of sense. I want to support it. It is just hard for me to support it. You are not going to spend it in 15 months. You can't. There is too much start-up time.

We gave you \$79 billion 6 months ago. Was any of the \$79 billion that we already appropriated spent in these areas?

I mean, I can't get any details that I want and need to see. That one question, \$79 billion that you got in May, where is it?

We didn't ask for anything. \$87 billion now, you are going to spend it in 15 months?

You are not going to do it. That is \$166 billion.

Mr. Armitage. You are connecting the dots. You are connecting them one way. I am trying to get you to connect them another way.

Ms. Kilpatrick. Okay, let me do this.

Mr. Armitage. In the foreign policy way, a success here has implications on every element of what is important to us as a nation in terms of security. It has Israel-Palestinian implications, I think. It has implications for WMD more broadly in the region.

Ms. Kilpatrick. You mean WMD----

Mr. Armitage. I did it deliberately, and I followed it by saying we are working so rigorously on other areas than in the IAEA, et cetera. It has implications for terrorism----

Ms. Kilpatrick. Let me stop you. Secretary of State Colin Powell is in my district now, was in there last night to speak to my Arab community and leaders all over the Arab world and our Arab Chamber of Commerce International Conference right now, been there for 3 days. I respect and support that he is there.

We have got to make the world safer and we have got to have peace in the Middle East, but there has got to be a balance. You can't have a \$500 billion deficit, take general fund dollars that is not offset in any kind of way, and then think Americans are going to live the life that we are supposed to live and also rebuild Iraq and Afghanistan.

You have an awesome job, Mr. Secretary. I want to support you. It is just hard for me to see that matching.

Mr. Armitage. I hope you can.

Mr. Kolbe. We have been advised that the Secretary has to

leave shortly, but we have gotten a little bit of a stay of execution here so we are going to go to a second round. We are going to be really rigid here on the time.

Start that clock there.

Okay. I want to ask a question about Pakistan assistance. Mr. Secretary, in a recent interview with, oh, I guess it is ABC here, yes, ABC news, to Peter Jennings, he was asked about the assistance and he said there is 3 billion dollars--this is Musharraf's response, President Musharraf's response: \$3 billion over the next 5 years, which is \$600 million per annum, that has been given half for military and half for the social center, but we don't want it for the military by the way. I don't want it for the military at all. Jennings: The U.S. Wants to give money for military affairs and you don't want it? President Musharraf: Yes, indeed, sir; yes, indeed.

So my question to you, Mr. Secretary, is why are we doing this? Why are we pushing this money on the military side, \$300 million, when there isn't a desire apparently on the part of the Pakistanis to have that assistance?

Mr. Armitage. First, Mr. Chairman, let me be clear. There wasn't an agreement to give \$3 billion. There was an agreement to seek it. We could make no promise and made none to President Musharraf. Second, that is news to me, and I will be meeting with him Saturday, and I will just ask him.

Mr. Kolbe. We will be happy to give you a transfer.

Mr. Armitage. No, I got it.

Mr. Kolbe. So you don't really have an answer as to why----

Mr. Armitage. No, I was there when it was presented, and there was no push back, and he realized he had to have an army that could fight in the tribal areas against Taliban and others. You have raised it, and I will raise it.

Mr. Kolbe. There is also a request for \$200 million for debt relief.

Can you tell us what portion of the debt, Pakistani debt, that would retire?

Mr. Armitage. Yes. My ever ready staff says \$200 million of the 2004 would reduce the debt by \$500 million, or about 25 percent of the total, Mr. Chairman.

Mr. Kolbe. That is about 25 percent of the total?

Okay, let me turn here to Afghanistan and I want to ask you about--when Ambassador Bremer talked to us about Iraq, he described the U.S. objectives as a strategy for reconstruction in Iraq, and it seems that that strategy guided--whatever we think of the request it guided everything that was in the request that he made in terms of a cohesive mix towards our objectives. But seeing the fact in response to an earlier question, when others were asked about a plan for Afghanistan, a vision, idea and concept, a timetable, we don't really have such a plan, an objective and strategy for Afghanistan. In fact, at the moment I believe our five top positions that are either vacant or about to become vacant. The Ambassador, we don't have an Ambassador. We don't have a Military Group Commander. We are about to use a U.S. Force Commander. We don't have a Coordinator for Coalition Assistance, and we don't have a USAID Mission Director there. What is going on in Afghanistan in terms of our policy?

Mr. Armitage. First of all, on the question of vision I

think we laid it out, I hope, in Bonn, and it includes the Loya Jirga, which has been delayed 2 months, and which I believe will be completed in December, which will validate a Constitution and international elections in June. The vision was to move with some urgency, but not undue haste towards that.

Second, the reason Afghanistan is so complicated, I believe, is that we won't be successful in what we all want in a pluralistic society in Pakistan unless we are successful in Afghanistan, and vice versa. Afghanistan cannot be successful unless Pakistan continues in a positive direction.

I can give you the individual answer for each of those people. Zalmay Khalilzad has been nominated by the President to be the Ambassador. He is still the Special Envoy. In his Special Envoy duties he is out there now.

The DCM is brand new. The Mission Director, as you know----

Mr. Kolbe. So this is just a coincidence? It does suggest a vacuum of our leadership there, or would you disagree with that?

Mr. Armitage. No, the Secretary has asked me to take a look there. We are suggesting that we purchase, or take possession of rather, the buildings behind the Embassy. We make those office spaces and use them. The Secretary wants me to go out and see if we have really got this thing hung together and I am going to do it this week.

Mr. Kolbe. I have a number of other questions, but I thank you.

Mrs. Lowey.

Mrs. Lowey. Thank you, Mr. Chairman, and I want at the outset to thank you again, Secretary Armitage, for your forthrightness and your openness with us. It really is truly appreciated.

One of the issues that we really haven't discussed this morning was the administration's position that our primary goal in Iraq is not only the transformation of Iraq into a democratic government, but the transformation of the Middle East into a stable democratic region of the world.

Mr. Armitage. Right.

Mrs. Lowey. Now, this is clearly an admirable objective. However, I have some concerns about what we are requesting from our allies in the region, such as Saudi Arabia, Kuwait, et cetera.

Could you discuss the participation of Saudi Arabia? For example, what are they doing to police their own border? Are they planning to attend the donor conference? What kind of money have they put up for this transformation in the region? What is their involvement, and given the complexity of our relationship with Iran, specifically with regard to the nuclear issue, could you comment on the status of their role vis-a-vis our efforts in Iraq and given Syria's severe complicity in the harboring of terrorists? Can you comment on the United States' assessment of Syria's role in the region? So, basically, what are they doing, how are they helping us? Are they in fact working with us or against us and what do you expect from these nations in the future?

Mr. Armitage. We expect Saudi Arabia to attend the donors conference. I can't give you an estimate of how much they will

come up with. We will be talking with them in----

Mrs. Lowey. Have they contributed anything to date?

Mr. Armitage. They certainly have to Afghanistan. I don't know. I will supply it for the record.

[The information follows:]

In addition to more than \$100 million in humanitarian assistance already given to Iraq, Saudi Arabia has indicated that it intends to make a significant contribution at the October 23-24 Donors' conference in Madrid, possibly as much as \$1 billion.

Saudi Arabia has also contributed for Afghanistan, pledging \$36 million for the Kabul--Khandahar--Herat road.

Mrs. Lowey. And have they committed in any way to do anything about the debt as part of the whole debt?

Mr. Armitage. Yes. Let me start with the debt because I think that is more important. When Secretary Snow was in Dubai, they had, I thought, a rather interesting announcement at the end of the meeting, where it said that all Dubai conferees agreed to delay any movement on the debt at the time; that is, to try to collect debt at the time, until the end of 2004, and Secretary Snow made it clear that our view is there is going to be a movement to radically restructure and lower the amount of debt.

Mrs. Lowey. Not forgive the debt; in other words, we are providing \$87 billion but Saudi Arabia, their neighbor----

Mr. Armitage. If I might, we are going to be leaning on everybody to lower the debt, and the reason I don't use the term ``forgive'' has to do with international credit ratings. I am talking about dramatic restructurings of this, which rather dramatically lowers the debt. That is the direction we are going in, and I think that it is clearly the direction you can see from the communique after Dubai.

Back to the three countries: On Saudi Arabia, they will participate in the conference. Their view, I think, up to this point is that by participating or allowing us to use their bases, et cetera, for the prosecution of the war, that they gave at the office on the counterterrorism war. Particularly after the May 12 bombing in Riyadh, they have been very rigorous with us, and they have been, as you see, losing some of these soldiers in these gunfights which have been taking place with stunning regularity.

On the question of their side of the border, their view is we can't control it, but my understanding is that they have asked that CENTCOM patrol the other side of the border.

On the question of Iran, as much trouble as we have on the nuclear question, we have a slightly different relationship with them on the question of Iraq. They have welcomed the governing council. They will participate in the donors conference. I hope they step up big time. They have a big interest in stability in Iraq, and I brought down just something that was rather fascinating for me in the Financial Times today. Minister Kharrazi, the Foreign Minister, said for the first time, I believe, that al Qaeda had committed crimes against Iran's national security by establishing cells to plot operations elsewhere. You are aware that we have claimed they

have al Qaeda there, and his comments were the first public admission that members of the network headed by UBL were more than just fugitives from Afghanistan. Something is going on there.

The question of Syria: They have had limited border controls. They have made some efforts, but not very much, and it is the most porous border. I cannot tell you that the Government of Syria is aiding these people coming. I can tell you that in our view they haven't done enough to stop them from coming in because that is the most porous border.

Mr. Kolbe. Thank you. Mr. Lewis.

Mrs. Lowey. Thank you.

Mr. Lewis. Thank you, Mr. Chairman.

During our sessions in Iraq, those portions that involve discussing priorities of the military, our men and women who are representing our military in Iraq, I was rather startled when I asked General Rick Sanchez what his priorities were to have him say that in his mind's eye the first priority to help us protect our troops who currently are being--we hear about on the news every night is to quickly get in line funding for the assistance side of those dollar flows to Iraq. Essentially he said the more there is a real understanding that we intend to do something about this infrastructure, intend to do something about retraining their police force and laid a foundation to transfer government back to Iraqis, that is the best way to protect our troops. I was really surprised to hear him say that and there is a significant meaning to it. Would you comment?

Mr. Armitage. Yes, I would, sir. Almost \$5 billion of the \$20.3 billion supplemental request is almost directly related to security, police training and military training and facilities, protective training, which mainly lets our guys get out of that business and into the pointy edge spear business of hunting bad guys, and there is no question that that part of the supplemental is an absolute necessity to free up our guys.

Mr. Lewis. Mr. Secretary, during our trip we spent time at al-Hillah----

Mr. Armitage. Right.

Mr. Lewis. Which is one of the killing grounds, or at that one spot 3,000 bodies were found and it is very apparent that this guy has killed, murdered, a minimum of 300,000 Iraqis, perhaps as many as 1.5 million. A shrine should be built someday to this historic tragedy.

Beyond that, the first time I heard the challenges of child mortality rates in Iraq was, well, when our next witness was before us, but in this discussion perhaps you could help us document this. When they say the documentation is available, it is very apparent that in areas outside of his own populations or support base, literally child food systems were contemplated purposefully with water that was essentially sewage water, killing babies before they have a chance to really play a role in Iraq's future. The child mortality rates now are as bad as they are almost anywhere in the world in Iraq, but apparently before Saddam the child mortality rates were considerably different. I mean, literally, this regime has wreaked terror upon their people and going to the extent of killing children.

Mr. Armitage. Three comments, then over to Mr. Natsios. Secretary Powell recently went, a couple of weeks ago, and he

went to Halabja, and here is a guy who has been around the track a couple of times, seen a lot in his life, he went to Halabja, and he was moved. That had the same impact on him as you found in al-Hillah.

I would say 300,000 is a little bit on the light side. If you include the number of his youth he sacrificed in a feckless endeavor against Iran and the amount of killing against his own internal opposition, I don't know but I would say that 1.5 million is probably a much better figure.

Finally, there is no question that in the Shia regions particularly, and Shia are the predominant population, there was a deliberate policy of disinterest and disintegration which led to lack of services, lack of infrastructure, lack of water, et cetera, et cetera. Jerry Bremer is working real hard. I think today, tomorrow, the next day, we are going to pass the pre-war levels in electricity.

Mr. Lewis. Right.

Mr. Armitage. We should be there. We are about 3900 megawatts now. We need to get up to 4400.

Mr. Lewis. Mr. Secretary, let me interpose here.

We flew over miles and miles of territory, largely by helicopter. One of the things that amazed me was to see people on ranches and farms to run out of their homes to wave at the helicopters. They weren't waving because they knew they were Congressmen there. They were waving at American soldiers. It is an important point, waving at American soldiers who are providing some opportunity for security, which means their future may have some chance to be meaningful in their lives.

Mr. Armitage. Mr. Lewis, I would suggest that the reason we have had such relative cooperation from the Shia is because they still can't believe how their life has changed. They don't want to mess up the thing they have got going in the direction that the country's going, and I think that is one reason why no matter how strongly they want an Islamic government or sharia law or separation of church and state or mosque and state, they do want to continue in the direction they are going.

Mr. Kolbe. Thank you. I am going to try to get a question or two in before you have to leave for the remaining appearances.

Mr. Armitage. Thank you.

Mr. Kolbe. Mr. Obey.

Mr. Obey. Thank you, Mr. Chairman.

Mr. Secretary, when you buy a house and you lay down the down payment and then you get ready to sign on the dotted line, you get pretty resentful if you walk in at closing and you discover that there are all kinds of items included in the closing costs that you hadn't anticipated. I think the same is true when the American people look at how much you are going to have to pay for how long for this or any other operation we recommend.

At the beginning of the first Iraqi war, I asked a number of questions, and among those questions were these: I asked how long were we likely to have our troops remaining in the region after the war. I asked what was the total cost to American taxpayers likely to be by the time we total up the final bill. I asked what other more well-off countries in the world, in the region, we are going to in order to try to improve living

conditions in the poorer countries in that region, because they have an obligation at least as large as ours is. Questions like that.

Most of those questions were not answered. One was. That was the question of how much we would have to pay out and how much other people would have to pay for the war, and as I recall, about \$60 billion. We paid about \$5.1 billion or something like that, so we had a very small tab left that we had to actually pay for.

Now, in this situation, we have shelled out \$79 billion so far and we are being asked to shell out another \$87 billion, which takes us through the next 15 months, up to the end of 2004.

My question is how much more, and I have asked this of Mr. Bremer, I will ask this of you, I will ask it of Mr. Rumsfeld, everybody. Somebody or everybody working together ought to be able to give us a ball park range of estimate.

When this is all over and Iraq is reconstructed and the effort is over, how much do we think this will have cost us beyond the amounts that we have already paid for or the amount that you are asking today?

I mean, we just need to know the rough idea of cost going in.

Mr. Armitage. I am not going to be able to adequately address it. I will tell you what I think probably Jerry said. I am not sure by that time there were other things interfering.

As I understand it, and, as we have been instructed, we are not intending any more supplementals for Iraq.

Mr. Obey. But let me----.

Mr. Armitage. Yes.

Mr. Obey. I ask you to not do that.

Mr. Armitage. Okay.

Mr. Obey. Because you don't ask for a supplemental doesn't mean that in the next regular fiscal year appropriation you haven't added money to that.

Mr. Armitage. No, sir. I was going to say that.

Mr. Obey. Okay.

Mr. Armitage. That it is our intention in 2005 and beyond that Iraq would be funded in the normal foreign ops budget process. How much I don't know. How long will our troops be in the region? I don't know. I would just ask, sir, that you think about the last 12 or 13 years, and I can't give you this calculation either, but how much did it cost us to contain Saddam Hussein. I don't know.

Mr. Obey. I am not arguing whether you should or shouldn't. I am not one who thinks we ought to pull the plug and leave immediately. When you perform surgery, you don't open the patient up and then decide you are going to go on a two-week vacation, but I do want some estimate of the numbers.

Mr. Armitage. I will work with my colleagues, sir, and try to provide--I can't----.

Mr. Obey. We need it.

Mr. Armitage [continuing].--the foreign ops numbers, sir.

Mr. Obey. All of the numbers. We need the foreign ops number. We need the DOD number. I mean, they may go out of different spigots but it is all coming out of the same taxpayers' pockets.

Mr. Armitage. And yours.

[The information follows:]

GRAPHIC(S) NOT AVAILABLE IN TIFF FORMAT

With respect to funding requests for Iraq reconstruction, we have made clear that there are no plans to request any supplemental money beyond the \$20 billion we are seeking in the 2004 Supplemental. In our normal budget requests for the upcoming years, there may be some sums for our needs in Iraq. At this point, however, there are simply too many variables to make a specific estimate of likely future costs.

For diplomatic operations, we have received \$61.5 million in the FY03 Emergency Wartime Supplemental Appropriation for the construction of an interim diplomatic facility in Baghdad. We also requested \$35.8 million in the FY04 Emergency Supplemental for the Reconstruction of Iraq and Afghanistan for the re-establishment of a diplomatic mission in Iraq. Once the diplomatic mission is re-established we will have a much better idea of the continuing operating costs associated with the mission.

With respect to other agency funding, including DOD, we would defer to them to answer.

Mr. Obey. Thank you, Mr. Chairman.

Mr. Kolbe. Thank you very much, Mr. Obey.

Mr. Jackson.

Mr. Jackson. Thank you, Mr. Chairman. Let me quickly follow up on a comment of what Mr. Obey just said.

The idea of Iraq being part of the normal foreign operations process from my perspective is scary, given the very meager budgets that we debate for foreign operations in this Congress. It means that next year this crisis and conflict is going to come at the expense of malaria, Africa, and everything else and this committee might as well get positioned and be clear on what the implications of the Secretary's last statement are with respect to the allocation that we get in this subcommittee. This has to remain a supplemental or it is just going to create a disaster down the road.

Let me just make a brief observation about democracy in Iraq. The word, ``democracy,' ' Mr. Secretary, is comprised of two Greek words, ``demo,' 'people, and ``kratia,' ' strength or power. It means that we the people have the power to create the government and the laws under which we live. It also has a second premise, and that is that all men are created equal under the law.

Pretty often quoted statement in this Congress: When in the course of human events it becomes necessary for one people to dissolve the political bands which have connected them with another and to assume among the powers of the Earth the separate and equal station to which the laws of nature and of nature's God entitled them a decent respect to the opinions of mankind require that they should declare the causes which impel them to this separation.

We know the oft quoted part of the Declaration of Independence, we hold certain truths to be self-evident, but then it goes on that, to secure these rights governments are instituted among men, deriving their just powers from the

consent of the governed, that whenever any form of government becomes too destructive of these ends it is the right of the people to alter or to abolish it.

Now, in our own democratic experiment we moved to a democracy after the colonial experience in our country. The great cry taxation without representation became a mantra of that era, which is from my perspective a nice way of saying that oil revenue will pay for reconstruction in Iraq.

Many nations have evolved from manorial and dictatorial governments, Great Britain, Germany and France, some African democracies, South Americans overcame their colonial experiences, but in this context we are told that the Iraqi people somehow are going to move to a democracy while we, a foreign power with more than, I guess, 200,000 or so troops in their country, are going to help usher in a democracy.

My question, Mr. Chairman and Mr. Secretary, is really going at the heart of whether or not the democracy in Iraq that we seek is of, for, by the people, whether or not it is being derived from the consent of the governed, whether or not it is not just the governing council that is working on the Constitution or whether or not their experience from Saddam Hussein's brutal dictatorship is actually leading the people of Iraq and whether or not there are signs within and amongst the Iraqi people, whether it is the Sunnis or the various religious factions, to move towards the idea of one person and one vote, and that, Mr. Chairman, comes in the context of this question as relates to the supplemental.

It seems to propose this supplemental that we can win the peace simply by providing goods and services without addressing the underlying fundamental tenets of democracy, the lack of good government and civil society. If we believe that these ideals are the cornerstone of a new Iraq council, that we are providing the necessary resources to support this cornerstone, and where are the voices other than the governing council and those that the media is constantly projecting that suggests that first amendment values are taking place in Iraq, allowing the people to express their desire for democracy in the context of our military involvement?

Mr. Armitage. Thank you, Mr. Jackson. When you talk about our own experiment with democracy, I think it is very instructive to follow completely through all of the amendments and you see how imperfect our road to democracy was and how long it took us to get one man, one vote and I think that is instructive because democracies don't happen overnight in Iraq. If you look at the north, which has basically been Saddam Hussein free for 12 years, then you have both functioning services and a relatively functioning democracy. It doesn't look like us, but it is a system which is representational.

In the south, you have, I believe I am correct, about 90 percent of the villages have village councils standing up. You have gotten PTA standing up.

Now, do they all look alike?

No, sir, they do not, but the point is it is not one size fits all. The point I am trying to make is there is nothing inherently contradictory in Islam towards democracy and there is nothing inherently contradictory in having a heterogeneous society like Iraq being able to find their way to democracy. I

am just suggesting, however, it is not something that is going to be pretty or happen overnight, and those are voices of Iraqi people who are speaking.

Now, the governing council and the reason all his colleagues, Ambassador Bremer and all his colleagues, Secretary Powell, put so much store in a Constitution is that that is something that people are going to have to buy in on and express themselves on. If the majority of people can express them in a representative government embodied in the Constitution, then I think that is the longest ball we can throw in this case. That will get us the farthest.

Mr. Kolbe. Mr. Secretary, I am getting signals from your staff that you have to leave. I am going to let Ms. Kilpatrick ask one quick question, but I know you really are behind schedule at this point.

Ms. Kilpatrick. Why do I have to be quick, Mr. Chairman?

Mr. Armitage. I am delighted to stay.

Ms. Kilpatrick. No, I will be within my 5 minutes really. I want to switch to the United Nations and the awesome responsibility that we have undertaken as a country and the \$166 billion that is almost committed to this effort.

What is the United Nations asking of us in the resolution, one failed and we are going back with another one, 183 nations of the United Nations?

What do they want? How willing are we to work with that body?

Mr. Armitage. If I may, there are two major items that have been discussed as a sort of difference between the United States, and where we want to go and others. The first had to do with how quickly we would turn over sovereignty to Iraq and to Iraqis. We have had a difference of opinion which I think you have seen in the public discussions with France and Germany but they have moved a bit our way from saying turn it over immediately or within a month to talking about a period of several months.

Many of the members of the United Nations, though not necessarily the United Nations themselves, have suggested a larger role for the U.N. The President of the United States has said they will have a vital role. We look forward to them particularly helping us as we move to the electoral process and getting voter registrations and lists and all of that, but it is hard for me to understand how the United Nations, which because of two terrible bombings is drawing down--they are down to several dozens of people now--how they would be able to take a greater role until they are more convinced that security is going to be more absolute for them.

So we are hearing a lot of different views----

Ms. Kilpatrick. I understand that we are going back to ask for another resolution. What are we asking for that is different from the first?

Mr. Armitage. It will have four major elements.

Ms. Kilpatrick. Okay.

Mr. Armitage. One would authorize a multinational force under a unified command, which would be the U.S. Doesn't seem to be very controversial.

Second major element would talk about the international financing institutions and the World Bank and the ability of

those and the encouragement of those institutions to make funds available.

Third, it would encourage bilateral donors to step up, particularly in Madrid, and the fourth item that has still to be totally worked out has to do with how and when one would invite the Iraqis to set their own time line for the development of the Constitution and the election. The reason that is important is because the moment those elections are held we are out in terms of sovereignty. We are gone.

Ms. Kilpatrick. Is that resolution going this week to the United Nations?

Mr. Armitage. Probably not. The Secretary is talking about it with his colleagues yesterday and today. We will start pretty intense discussions in New York. That is a lot different from, you know, laying something on the table. We are not quite ready for that.

Ms. Kilpatrick. Thank you.

Thank you, Mr. Chairman.

Mr. Kolbe. Thank you very much, Miss Kilpatrick.

Mr. Armitage. Did you have a question?

Mr. Kolbe. No, Mr. Secretary.

Your staff would strangle me if I would try to keep you hear one more minute.

Mr. Armitage. I thought they worked for me.

Mr. Kolbe. We know better than that. Mr. Secretary, on behalf of all of us we thank you for your very frank and open answers to these questions and for your willingness to take the time to share this information with us.

Mr. Armitage. And I was very sincere about the process. It is important.

Mr. Kolbe. And please be safe on your trip to Afghanistan.

Mr. Armitage. Will I hear from you later today, sir?

Mr. Kolbe. You will hear from me, but I don't think I will be able to make it. We appreciate it.

Thank you very much.

We are going to take just one minute here while Mr. Natsios sets up some things, I think, for his opening statement.

Very well, while they are setting up here we will go ahead and begin with Mr. Natsios's remarks, and then we will go to questions here.

Mr. Natsios, we welcome you as USAID Administrator here to talk both about Afghanistan and Iraq, and you may proceed with your statement and you can refer us to the charts as you feel necessary to do so.

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Tuesday, September 30, 2003.

PRESIDENT'S FY 2004 SUPPLEMENTAL REQUEST FOR IRAQ AND AFGHANISTAN

WITNESS

ANDREW S. NATSIOS, ADMINISTRATOR, USAID

Mr. Natsios. Thank you, Mr. Chairman.

Thank you, Mr. Chairman, for the opportunity to testify

before the committee, which has been such strong supporters of our work around the world. I would like to submit a full statement for the committee for the record. My oral comments will be more limited.

[The statement of Mr. Natsios follows:]

GRAPHIC(S) NOT AVAILABLE IN TIFF FORMAT

Mr. Natsios' Opening Statement

Mr. Natsios. I would like first to address three challenges we face in both Iraq and Afghanistan. The first is that there are security problems. It is indisputable there are security problems, but there are large portions of both countries that are stable and secure and where reconstruction is going on without the fear of warlords or the old order disrupting things.

I have been twice to Afghanistan in the past 2 years. My deputy, Fred Schieck, whom I have assigned daily responsibility for Afghan programs has also visited several times. I meet every week for 2 hours on Afghanistan, and also have meetings every day on Iraq. So I am very familiar with what happens in both countries. I went to Iraq for 6 days in June of this year, so I have been to both countries directly to see what we are doing.

The second misperception is that we work only in Baghdad and Kabul. If you look at the media, they talk about Kabul as though Kabul is the only city in the whole country. It is the case that it is hard for the media to get out of capitals and hence a lot of our work that is in rural areas of Afghanistan never gets reported on even though that is where 85 percent of the people live.

The same is true in Iraq. If you read the reports and see where they are coming from in both the American media and European media, it is almost all from Baghdad.

Baghdad may be the capital city but three-quarters of the population lives in other areas of the country, and those areas are not experiencing the kinds of things we are seeing in Baghdad, and our programs are spread throughout Iraq. That is one of the purposes of these maps, to show where our staff are and where our programs are in terms of the amount of money we are spending by province, which is this map on the right; where our staff is located is the map on the left. Each one of the icons you see there represents either contract staff or U.S. direct hire staff. There are 500 contract staff in Iraq and 50 AID mission staff. Each icon represents 5 people, according to the key on the left chart. And the center map illustrates the kinds of activities going on in each region of Iraq. And the same thing for what you see in Afghanistan in the next chart, which I will get to in a minute.

The third challenge we face is how to convey the depth and extent of our programming in both countries because it is quite extraordinary what we have been able to accomplish, in my view, with our relatively small staff in a relatively limited period of time; 2 years in Afghanistan in terms of when our ramp-up began. We were actually in Afghanistan the entire time for 10 years prior to September 11, 2001, even during the worst of the

Taliban. We had some grants operating through the NGO community in Afghanistan. But in terms of actually having USAID staff in Afghanistan, they arrived in January 2002. Jim Kunder was our first mission director for the first part of 2002. First, in Afghanistan, we prevented a major food crisis. We furnished 400,000 tons of food commodities through USAID's Food for Peace Office. After 9/11, there was a famine developing and we stopped it.

We have been very strongly supportive of President Karzai's government. We have put in 132 expatriate advisors, technical trainers, in the ministries and another 890 educated Afghans. We inserted them in order to bring good managers with training in the ministries to set up a functioning government.

Last year the wheat harvest increased by 82 percent. People don't talk about that. It is in the rural areas and you can't see it unless you go out into the fields. We have now, this year, the largest harvest in the history of Afghanistan. For two years now there have been massive increases in food production. We have invested a huge amount of money in the rural agricultural economy because 85 percent of the people are farmers and herders. We have made steady progress in terms of irrigation canal repair, building secondary roads so farmers get their produce to markets and new drought-resistant seed varieties in wheat seed that will resist droughts in the future and still produce some crop.

We made steady progress in the 389 kilometer road from Kabul to Kandahar. You will see this if we move these down now; that is the middle map there. What most people don't know is that two-thirds of the population in Afghanistan live within 50 kilometers of those black lines that you see there in the center of the map, representing the ``Ring Road.'' That is where most of the people in the country live. They live near this ring road. There is a relationship between population density and where roads are built. So the repair of this road is very important to people because that is where two-thirds of the people of the country live. A third of the whole country lives within 50 kilometers of the road we are building from Kabul to Kandahar. And that road was built by President Eisenhower, by the AID predecessor agency in the late 1950s, using the Corps of Engineers but managed by AID. We are rebuilding a road we constructed 45 years ago. And people in that area, by the way, know that the United States built that road and it was AID that built it. They remember it. The older people can tell you about it.

We launched a new Afghan currency, working through the central bank. We were heavily involved in that and working on budgetary, currency and banking reforms and investment laws and customs duties in Afghanistan to support the central government's functioning over the long term.

We printed 25 million textbooks, 10 million last year and 15 million this year. We did this as a temporary measure but the ministry likes the educational curriculum so much they now have said they want to build on it as the permanent curriculum of the country. We have created incentives for girls to attend class because only 6 or 7 percent of girls were attending class before, during the Taliban. It is now up to a third. We give a vegetable oil supplement to families if girls stay in class in

areas of the country where there is low attendance by girls. We have incentives to make sure girls are in the classrooms. We have trained tens of thousands of teachers. We provide a third of the salary of teachers in the form of food supplements, so that even when the salaries may not be paid one month, they always have their food supply paid for. Fifty thousand teachers are paid a ration of food.

We built or repaired or reconstructed 203 schools from old schools that were wrecked, and we are going to build another thousand schools by 2006, a third of those this year, this coming fiscal year. We have rebuilt 121 health clinics and will do another 400 over the next 3 years. We have helped the Ministry of Health prepare the first national health survey and we rebuilt and supplied 16 of the national ministries in Kabul.

We have also helped build radio networks around the country so the central government can communicate with people. Afghanistan is a radio culture. That is what people do in the evening, they listen to radio. The only public sector radio station we built was Radio Afghanistan. The radio stations we are helping construct now are all privately owned, privately maintained and privately funded except for the start-up cost. We want a vigorous privately controlled and privately funded radio culture, as they had before the Soviets invaded.

All of the emergency Loya Jirgas last year were broadcast by radio to the entire country. Literally everybody in the country was listening to it in the villages. They knew exactly what was going on. They heard every speech, which is why I suspect some of the speeches were a little longer than they might have been otherwise.

We are investing money to implement the Bonn Agreement and fund the Judicial and Human Rights Commissions and help to set up and rebuild the Ministry of Women's Affairs and a series of women's centers around the country.

In Iraq we work under the direction of Ambassador Bremer and the CPA. We prepositioned food and supplied more than \$400 million worth of food to ensure there would be no food security crisis in the country. We sent the largest DART team from OFDA and AID into Iraq in the early stages. We have put 55,000 Iraqis to work on all of the contracts.

Now some people will say how much are you paying them. The average wage of people working in Iraq on these contracts, laborers, is \$4 to \$5 a day, not a huge wage, but by Iraqi standards that is a good wage. People are very happy with it, but it is getting people back to work. And to the extent people are working they are not shooting at our soldiers.

We have set up a mission headquarters in Baghdad and offices in al-Hillah, Basra, Mosul and Irbil. And we do this under 45 grants and contracts through American NGOs, private firms and specialized United Nations agencies within the first 5 months.

In terms of infrastructure we have dredged and repaired the port of Umm Qasr. It is now what it was in the early 1980s. Otherwise, it had not been touched in 20 years. It is now a fully functioning port. We have repaired the rail links from Umm Qasr into the country. Basra now has almost 24-hour electrical service. They have not had that in 20 years. Usually they would have 2 or 3 hours, under Saddam, of electricity a

day. Now they have it for most of the day. Electrical output nationwide is almost at 4,000 megawatts. It was at 4,400 before the conflict.

We are now doing water and sanitation projects for 14.5 million Iraqis. We have repaired 1,700 pipes in Baghdad and increased water flow by 200,000 cubic meters per day. We have rehabilitated 70 of Baghdad's 90 waste water sewerage pumping stations and installed 20 new generators.

We have completed the bypass over the critical Al-Mat Bridge and 36 bridge assessments have been done and ordered in terms of importance. We have reconstructed the Baghdad International Airport and begun restoring telephone and communications around the country so the central ministries can talk to the people in the outlying areas.

There are 17 priority areas in the economic governance area, including a new currency that AID is working on, small business credit, commercial legislation and national employment programs, banking, tax policy, micro lending and budget planning.

In food and agriculture, we have bid our agriculture contract for agricultural reform. It will be signed by mid-October to encourage greater domestic food production. We believe the Iraqis can feed the country themselves if we reform the economy, which was basically a Stalinist agricultural system prior to this.

Mr. Kolbe. Could I suggest, I think a lot of that recitation, which is very important, we have here. Could we make this as brief as possible so we can get to questions?

Mr. Natsios. I am almost finished. We are rebuilding 1,500 schools; we said we would do a thousand. We have published 5.6 million new math and science textbooks. School opens on Saturday, and we provided school supplies for 1.5 million students. And we are working on a health strategy, too.

I know Congressman Lewis is very interested in this, and I would be glad to respond to questions.

Mr. Kolbe. Thank you very much. I know Mr. Lewis has to leave. Let me yield to you, Jerry.

Mr. Lewis. Thank you, Mr. Chairman. I very much appreciate the courtesy. Today is a crazy day and since I am walking punchy, half asleep, I don't know whether I am here or there.

I was interested to know if we have plans and are proceeding with an effort similar to that which you described in Afghanistan as it relates to communications channels, radio kind of society. I am amazed at the number of disks on the roofs on the better side of Baghdad, but it is incredible about that change. Much of the information flows are one side of this whole issue. And are we talking about programs to make sure that propaganda is not the only, or at least one side of the propaganda is not the only line available for those radio listeners and television people.

Mr. Natsios. The communications broadcasting is not AID's responsibility in Iraq, but there are three things we have done.

Mr. Lewis. You have had a lot of experience with that.

Mr. Natsios. We have had a lot of experience with that, but we do what Ambassador Bremer has asked us to do and that is not our function.

Mr. Lewis. I would urge you to absolutely talk to his people about this being a priority.

Mr. Natsios. There is a priority but they have decided who does what in the decision making.

Mr. Lewis. Do you know if they are doing that?

Mr. Natsios. They are doing it and I know this is a high priority of Ambassador Bremer, and to the extent he wants our help he certainly will have it.

Mr. Lewis. I have this interest in health, but especially the water supply system. I saw you shaking your head when we were talking about Saddam having purposely--made an effort to essentially poison the children, if you will, of Iraq. What have we done? Describe for us the real progress we have made in terms of improving the availability of water systems and so on. You began to describe it, but what kind of money has been spent, how is it going, et cetera?

Mr. Natsios. It is a high priority, needless to say, for health reasons and for a variety of other reasons as well. Industrial production, if we want to get the factories up, you need water. And people in 125 degree weather, which is what it was in June when I was there, need water or they have serious dehydration problems. There is a sweet water canal that goes from the Tigris River south to Basra that provides fresh water for the whole southern area. That water system is a canal of about 265 kilometers. It is in terrible condition. USAID's Bechtel contract, to sweep that out of all of the debris in it, starts today and it will dramatically increase the water flows to the south and will improve both the volume of water and water quality. It will also increase pressure. When water pressure is low, sewage seeps into the water pipes, and we need to get the water pressure back up to what it was 10 years ago so we don't have sewage water mixed with drinking water, which is what we have in many areas and have had in the south for a whole decade now. That needs to change. So that contract begins literally this week in that area.

We also replaced the generators in many of the water pumping stations all over the country to detach them from the central electrical grid. Because every time the electrical grid went down because of sabotage, or whatever or because it needed to be repaired, it meant there is no water or sewerage going and that is a disaster. And so for security reasons and for health reasons, we are detaching as much of the water system in the large cities and the sewage treatment plants from the electrical grid both to free up more electricity but also for public health reasons. And we think that is a good thing and that is halfway done now in many of the large cities. And that will reduce the child mortality rates.

Mr. Lewis. You refer to the success in terms of agricultural production in Afghanistan, kind of like at historic levels. One of the pieces of agriculture that has been of great concern to me has to do with the poppies. I am concerned about poppy growth and whether we are actually doing something about getting a handle upon that flow of--people in the past have said that is a French problem. Baloney, it is a world problem.

Mr. Natsios. It is indeed a world problem, although most of the heroin goes to Western Europe. It is poisoning the whole

region. There were 50,000 drug addicts in Iran and in Pakistan before the Taliban started encouraging poppy production. Now there are a half a million in each country. Both countries, particularly Iran, have the highest proportion of drug addiction in the world because of the Taliban. They encouraged this production. When I said to President Karzai, it is a serious problem for your neighbors, he responded, ``Not just our neighbors. We have horrendous levels of drug addiction in our own country.''

Mr. Lewis. What is being done about it? You can spray the poppies.

Mr. Natsios. The State Department runs the counternarcotics program. Our part of it is to do alternate development; in other words, to find alternate----

Mr. Lewis. Other products. Clearly we know the profits from drugs aren't going to the farmers. Clearly we can make change there.

Mr. Natsios. In the Helmand Valley, which is the center of drug production, we started a program last year, which has been very successful, to increase cotton production. We found out that once we started the program and got into commercial markets to go to mills in Pakistan that the price of cotton went up enough to actually compete with poppy production. Wheat production will not compete with poppy production, in terms of the value of it, but the production of mixed nuts, of vegetables, truck farming, of vineyards, raisins, that sort of thing, fruit, those are all exportable and competitive. And they do produce enough to compete with poppy, which people actually don't want to grow. They only do it as a last resort. We do have a program to provide alternatives.

Mr. Lewis. Thank you, Mr. Chairman. I would hope we have a war against poppies, not just there but elsewhere. And it is crazy for somebody else to do it and our various agencies working together, it ought to be a priority.

Mr. Natsios. We are working closely with the State Department on the antidrug program.

Mr. Kolbe. Ms. Lowey.

Mrs. Lowey. Thank you, Mr. Natsios. We appreciate you being here with us today. I have several questions about the contracting procedures and I think I will just lay them out and I would appreciate your response. First of all, when Ambassador Bremer was here with us, he talked about the agencies and the persons who would be administering the contract, he wasn't quite clear. He mentioned several different people and units, and that included AID. So it was clear to us that AID did not have the entire responsibility for the contracting. And I would be interested in knowing what percentage of the 15 of the 20 for construction would be administered by AID. That is number one.

Secondly, I know that you are about to issue an RFP for \$1.5 billion for construction contracting on your own initiative. Will this contract be truly competitive or will you use the limited competition procedures used by the Bechtel contract? And I think it was important when Ambassador Bremer was here, he committed to competitive contracting for the entire \$20 billion requested for Iraq. Again, as I mentioned before, there was question as to what portion of that AID would

administer. And I would be interested how you would administer the funds; what form of competitive contracting will be used; what waivers of normal procurement will be used.

Thirdly, in your January, 2003 determination that all procurement rules could be waived at your discretion for national security reasons still in place, do you intend to use that authority and, if so, how? And how will Congress and the American business community be kept informed of your contracting decisions?

I think this is very important. Many of the businesses who have been contacting our offices are pleased that there are contracts available for them. On the other hand, there are those who don't have the foggiest notion about how to proceed in responding to a contract that may be let. So if you could just discuss the entire procedure, your role in it, the contracting methods, I would appreciate it.

Mr. Natsios. Just in terms of the last money you gave us, just so people know how much of the \$2\1/2\ billion that Congress appropriated for reconstruction in the first supplemental, 80 percent of it was sent to AID by OMB. We spent \$2 billion of the \$2.5 billion. The rest of that was spent by the State Department, Treasury and I think DOD, or to be maintained in a smaller reserve.

In terms of the supplemental you have before us, we do not know what we will get. We are having discussions now. It is up to Ambassador Bremer, in consultation with OMB. Whatever the President wants us to do, we will do.

Mrs. Lowey. Can I interrupt at this point? Given your vast experience and given your experience with the first \$2 billion that you have administered, have you been consulted? Are you part of the decision making process? I would think because of your expertise you shouldn't be waiting for Ambassador Bremer to tell you what to do. I would assume you are part of the decision making process. Could you comment?

Mr. Natsios. We are, but the final decisions are made by OMB. We are having discussions every day with them, and that is why we did the \$1.5 billion that we just advertised.

Mrs. Lowey. I said 1.6, it is 1.5.

Mr. Natsios. We just advertised for bidders on the assumption that the new supplemental goes through. If it doesn't, we will take the advertisement and throw it away. We are presuming something will pass. And the first amount that Ambassador Bremer wants spent is for that contract. We figure, of the estimated \$20 billion for Iraq in the supplemental, I believe that \$12 billion is in the areas that we do work in. We are prohibited by law, for example, from doing public safety work. We don't do prisons. We don't do police, unless there is a waiver by Congress, or there are a couple of exceptions. But there are certain things we don't do--we don't train soldiers and supply weapons. So about \$12 billion of the \$20 billion is in areas that we have extensive expertise in.

We could be asked to administer some or all of this \$12 billion, but again, I think the allocation of these resources is something that is under discussion and being planned right now, and as soon as we find out we will tell you. We will not exercise any national security waivers. I don't plan to do any of that. The contract that is up now for \$1.5 billion is free

and fair competition. It is completely open, and there is no restricted list. Anybody in the United States can bid who wants to bid. It is on our Web site. It was advertised in the Federal Register, as all our contracts are.

And now I do want to add a little caveat, that if there is an emergency, and these do take place where peoples' lives are at risk, we do want to have a caveat that we come back to the Congress, to all of our oversight committees, and we will tell you if we have to do a limited competition because of an emergency. Before we do it, we will come to you and consult with the committees, or we won't do it. So nothing will happen except for free and full competition for any of this money that we administer unless we come back and tell you there is an emergency and if you tell us you think we are wrong, we won't do it. We want to talk with you and work with you in a completely transparent way.

In terms of how contractors can bid, they need to look at the AID Web site. We have revised it so it is easier to use. They have to look at the Federal Register regularly. A lot of contractors who do federal bidding do that on a regular basis. We did have in the first round of contracting meetings of potential contractors in the Ronald Reagan Building, where our headquarters are, and I have to tell you we have a very large meeting room. I think it holds about 300 people. And, instead of one meeting, we had to have two meetings. And we ran those meetings that and answered the questions for people that wanted to bid.

Mrs. Lowey. I just thought it was interesting and the reason I asked that question, on the front page of the New York Times was the announcement of a new K street firm that was going to help businesses respond to the RFPs. I will leave it at that.

Thank you, Mr. Natsios.

Mr. Natsios. I did read that article myself, Congresswoman, but I won't comment on it.

Mr. Kolbe. Thank you very much. I will take my round at this point here. In regard to what you just said about the amount of the contracts of the bidding, the amount of the supplemental going to Iraq that might be used by AID, you performed out of the first supplemental, the 2003 supplemental about \$1.7 billion went to you, USAID.

Mr. Natsios. \$2 billion, in total including humanitarian relief. 1.6 was the amount for reconstruction.

Mr. Kolbe. And as you just pointed out, you just put another \$1.5 billion out in the street in terms of advertising. How much of the \$20.3 billion that is requested for Iraq do you think USAID could realistically contract for?

Mr. Natsios. Well, let me first say that we can contract for maybe \$600 or \$700 million with no additional OE, or operating expenses. If we do not get additional OE funds, our systems will break. They are at their limit now. We can spend probably up to \$5 billion prudently if we get additional OE. If the President instructs me to do up to the \$12 billion, we will do what he tells us to do but it is going to be harder to do more than \$5 billion with our existing systems within the time frame. There may be other people who are capable of doing some of these things outside of AID; I have no idea about that. I am

answering your questions, Mr. Chairman, about what we are capable of doing. We think \$5 billion, prudently.

Mr. Kolbe. Is that infrastructure or is that everything?

Mr. Natsios. That is everything. Let me go back, because that is a very important distinction you have made. If we have one giant infrastructure contract or several giant ones, it is much easier for those to be administered than 40 or 50 small contracts that are \$40 or \$50 million each, because we have to have a contract officer, at least one, maybe more, to manage each contract. And it is very, very time intensive when you have a lot of contracts. So a lot of what we can do is dependent on the discrete areas in which we are asked to take on tasks.

Mr. Kolbe. Mr. Natsios, let me ask you about competitive bidding and the basic question, why has it been so difficult for us to get this competitive bidding done? We have, as you know, in our fiscal year 2004 bill a provision that requires full and open competition for construction contracts in Iraq. That bill of course is not enacted into law. And Ambassador Bremer says he fully supports competition. It seems it is very difficult to get these contracts out, the time that it takes. I am wondering if you could just tell me why it is that it is so difficult for us to run an open and competitive process for these contracts.

Mr. Natsios. There are two characteristics of Federal contracting--by the way, this contracting law is the same for all Federal agencies. It is not unique to us. There is the FAR managed by OMB. It is the Federal Acquisition Regulations or FAR that implement federal contracting law. There are two sort of objectives of this process. One is to be efficient, to do things rapidly and quickly with a minimum of delays and bureaucracy, and second, on the other hand to be fair. If you do it too efficiently, a lot of smaller companies won't be able to bid because we could collapse the process to much shorter periods of time. That would exclude a large number of companies from bidding, which means the price goes up. So you are going to have a higher price and the taxpayer's money won't be well spent if you simply eliminate the fairness requirement and collapse the process so you do it in a couple of months.

We could do that. I don't support that. I actually support the language that is in the bill that was before Congress. Most of that is what we are in fact following. It is just a repetition of what is in Federal law now. So bidding takes a while, because if you want to include a large number of companies bidding so you get the best price and the best quality you have to do it over a longer period of time. Typically it takes 5 to 6 months for a fair and open competition to take place under normal circumstances.

Mr. Kolbe. What are your plans with regard to the additional money that is requested in the supplemental for Afghanistan in terms of competition?

Mr. Natsios. We have competitively bid some very large contracts already and they are over 3 years, most of them. I don't remember the exact amounts, but they are between \$125 and \$150 million over 3 years. We will use some of the money in this budget to fund some of these existing programs. We did the bids already. They are in place. It was full and fair

competition in some cases and in other cases, it was a more truncated process. Some of the money flows through UN agencies and NGOs that are not competitively bid. There are emergency grants or transition grants where we get an unsolicited proposal and we decide whether or not we like it, and whether to fund it. That is the nature of a lot of the NGO grant making that we do. Grant making is distinguished in process from the contracting process. But we can give you a complete plan and will be happy to show you where we will spend all of the money and how it will be allocated.

Mr. Kolbe. I will have more questions, but let me turn to Ms. Kilpatrick.

Ms. Kilpatrick. Good afternoon, Mr. Natsios. A couple of questions. You mentioned contract staffing, about 500. Are those people in the country? Who are those 500 contracting employees?

Mr. Natsios. Well, if you want----

Ms. Kilpatrick. I don't want names.

Mr. Natsios. They are not all Americans. Some of them are from other countries, but they are expatriates, from outside of Iraq. And these people are people who work for the contractors or grantees, for Bechtel, for DAI, for UN agencies who we are paying for through our grant making or through NGOs. There are 100 NGO expatriate workers in Iraq and they are working under grants almost exclusively from AID, and those peoples' salaries are being paid for by our grant money.

Ms. Kilpatrick. You mentioned the vegetable oil supplement, as well as the 50,000 teachers who are receiving food rations. Those are incentives for them to teach and do whatever else? Is that why we do that?

Mr. Natsios. That is correct. In many areas of the country it is very difficult to get salaries because they are up in the mountains, and it is very difficult for the government to provide a regular salary, but we have food stocks all over the country. So we want to make sure that teachers go to school to teach, and one way of doing that is saying that even if your salary doesn't arrive in a particular month, you can get a food ration.

Ms. Kilpatrick. You were going over a detail that this Member has not seen which may help me grasp some of the things you are doing and asking for. I am sure the chairman and ranking member receive that information. You mentioned a litany of things.

Mr. Natsios. It is in this publication.

Ms. Kilpatrick. I think that is helpful to know that because when you come in asking for X amount of dollars, show me something, like what you will spend it on. Micro-credits. I am advised that the micro credit that is administered by USAID, now the CPA is going to. Are they now going to take the micro credit program and implement it themselves?

Mr. Natsios. I think there is a great interest within the CPA by Peter McPherson, who used to be AID Administrator in the early 80s. He is considered by many to be the godfather of the micro credit lending program.

Ms. Kilpatrick. Left Michigan State for this assignment.

Mr. Natsios. He has returned now. He has arrived back at Michigan State and said he got a gift because his football

team--I won't mention who they defeated, but they weren't supposed to defeat them and they did, another Midwestern college. But Peter is deeply interested in microfinance issues. So he worked with our staff. And Charlie Greenleaf who also works at CPA, used to be head of the Africa Bureau of USAID in the Reagan administration.

Ms. Kilpatrick. Why is USAID not doing this?

Mr. Natsios. We are working on this. One of our areas is to work in micro lending and we have been working with the CPA staff on the design of how this will look.

Ms. Kilpatrick. Are you turning it over to them? Yes, you are the experts in it. I know Peter very well. The godfather I might say who when he was with USAID was working with micro credits. What association with the CPA who are appointed politically, what experience and knowledge will they have? Are you training them now to turn over the micro credit program?

Mr. Natsios. I think there is a misunderstanding on this topic. CPA is basically a decision making body on policy issues. And we have our USAID staff embedded in CPA. AID's mission director reports to Ambassador Bremer, but our people go to meetings all day. Some of the meetings we run ourselves at his request. There are task forces across all departments and he chooses different people to run them and some of them we run. But our people--our technical people--participate in them. Once a decision is made, he will choose an institution to administer a contract or a grant, to carry out the policy decisions that CPA has made. CPA does the policy ``umbrella'' work. And, frequently, 80 percent of the money that I have just mentioned has been spent by AID. He will come back to us and say now we want USAID to implement this or Treasury or the State Department, and in some cases DOD.

Ms. Kilpatrick. The answer to my question is USAID is not relinquishing the micro credit program?

Mr. Natsios. Not so far as I know, unless some decision has been made that I am not aware of, and I will check on that.

Ms. Kilpatrick. Of the \$2 billion that you got in the first round, how many small, minority, and disadvantaged companies received contracts?

Mr. Natsios. It depends which contract. There are about 45 contracts and grants through which that \$2 billion was spent.

Ms. Kilpatrick. 45 different contractors?

Mr. Natsios. And NGOs. And we are about to award university contracts.

Ms. Kilpatrick. Can you provide the information? Thank you very much.

Mr. Kolbe. Thank you, Ms. Kilpatrick. We have been joined by Congressman Wicker.

Mr. Wicker. Thank you, Mr. Chairman. Having just gotten here from the airport, I want to thank the committee and the witness for sticking around. Let me ask you, Administrator, about land titling and the reports that we have concerning widespread forcible land occupation in Afghanistan, profiteering by warlords and other strong men perhaps in the government. The supplemental includes a request for \$10 million in economic support funds for land titling. I would like for you to discuss that, please, for the subcommittee.

First of all, are you aware of the reports and concerns

about land grabbing?

Mr. Natsios. Afghanistan is a very traditional society in that the sheiks, who are the aristocracy of the country, traditionally own land. The principal source of wealth in the country is land and they will traditionally rent it to farmers, who then pay a portion of the proceeds of the farm to the owner of the land. That is the system that has been in place for centuries. So a large part of the land, it is already clear who owns it and I don't think it is in dispute. There was a land dispute in the capital city where a couple of ministers attempted, apparently, to provide or to take some of the land and give it to their friends. President Karzai found out about it and disciplined them and took the land away and it went back to the owners. So I think this was limited, so far as I know, to Kabul.

There is a case involving refugees who left sometimes 20 years ago to go to Pakistan primarily but also some to Iran who are now returning. They started returning last year. They first went to Kabul or suburban areas to live in makeshift shelters and now they are going back to their villages and they are finding people on the land they used to own 20 years ago. There are disputes because there is no land registry as we would traditionally know it. However, in the villages, people know a certain piece of land has been in one family for the last 500 years.

In some cases because of the enormous disruption that the last 25 years of chaos has caused in Afghan society, a lot of that system has been disrupted and we need to reestablish it because people do not invest in their land if they are unclear as to who really owns it. They will not build irrigation ditches. They will use it and that is it. They won't improve it. And we need to have the farmers begin to improve their land to increase production. Land titling is directly related to productivity.

Mr. Wicker. I agree with that last statement that you expressed. So is the \$10 million requested going to be used in Kabul and in these villages that you talked about?

Mr. Natsios. I think it is primarily to help reform the national registry so it is comprehensive, fair and accurate. It is not now, and it needs to be upgraded.

Mr. Wicker. How are we going to ensure that it is fair and accurate? What are your plans?

Mr. Natsios. I can give you the plans if you wish. But in summary we have done this in many countries all over the world. Property rights is a very important part of AID's program and has been for a long time. Even though it is not well known, our economists realized years ago if you want productivity increases in a country you have to have property rights protected or people won't invest.

Mr. Wicker. I like to ask questions about that and I mentioned the great pioneer Hernando DeSoto, who has been a champion all over the Third World in that regard.

Mr. Natsios. And we have been his strongest supporter in the world, and I am sure he would tell you that.

Mr. Wicker. I wish you luck in that respect. With regard to the land that has traditionally been owned by the sheiks, is it going to be our position that that type of control and

ownership should end or be phased out or are we leaving that with the foreseeable future?

Mr. Natsios. There is a sovereign government in Afghanistan and that is a decision they need to make. Our role is first to provide the alternatives for them to think about and the consequences of each alternative. We can point out that they choose a certain policy option, this is what will happen, economically, politically in terms of business, and then they make the decisions. We don't make the decisions for them. We are a technical support agency. One thing they tell us they do want and need is this land titling registry in Kabul for the country.

Mr. Wicker. Do you happen to know President Karzai's position on that question? Would he like to move to a system where the sheiks don't control the land as they have traditionally? I understand and appreciate what you say about the fact that it should be the Afghan government who makes this decision and not people inside the Beltway and Washington, D.C., but do you have any idea how the government or the President stands on that issue?

Mr. Natsios. The President is a very strong supporter of productivity measures and he has had discussions with us before about doing this everywhere because he understands the connection between the creation of wealth and the elimination of poverty and the protection of these legal rights. It is part of a society that operates by rule of law. Uniform commercial codes have these property rights in them and we do this sort of work all over the world.

There is a provision I am told in the new Constitution on property rights that will help ensure people's rights are protected. But what I could do, Congressman, is get back to you with some more detail in this.

Mr. Wicker. I appreciate when you get back to me. Mr. Chairman, do I have time to ask another quick question?

Mr. Kolbe. In the next round.

Mr. Wicker. Looks like my chances are pretty good for round 2. Thank you, Mr. Chairman.

Mr. Kolbe. Let me ask--Mr. Wicker, why don't you--if you have one other question why don't you get it out of the way now.

Mr. Wicker. If you could, on our NGO friends, I understand that they are coming under attack in Afghanistan and Iraq as never before. And I just wonder if you could tell me what--do you have any new and special concerns about the security of these nongovernmental organizations and are they being targeted more than we have seen in the past?

Mr. Natsios. I would not say that this is worse than any time ever in the past. I ran the humanitarian relief effort in Somalia 10 years ago. It was much worse than anything in Afghanistan or anything in Iraq. Our people were regularly being kidnapped and held for ransom. This was in 1992.

Is this the optimum level of security for the NGO staff? No. There are problems. But the problems are geographically constrained. The southeastern part of Afghanistan right now is the most insecure for the NGO community and NGO workers. And if you plotted the incidents on maps, which we do, you would see that that area of Afghanistan is the most difficult for us to

work in right now. And it also happens to be the center of Taliban and al Qaeda power and that goes back 10 years. It is not a surprise. In the center of the country, in the northeast, in the west, it is relatively stable and we are not having security incidents.

Mr. Wicker. Thank you very much. And thank the chairman for his indulgence.

Mr. Kolbe. Thank you, Mr. Wicker, and pleased you could join us.

Mr. Administrator, you talked about the fact that Umm Qasr is operating as a port and Baghdad International Airport has been restored to its operational capacity. But the supplemental before us has another \$45 million for Umm Qasr and \$165 million for civil aviation and it says Baghdad International Airport. Can you tell us what these additional funds are for?

Mr. Natsios. We did not write the CPA budget so I can't go through it line by line. I am not an expert on all of the areas. I can tell you there are costs which we have told the CPA about for both facilities into the future. For example we improved the port in terms of dredging. We have removed, I think, 19 sunken vessels and 250 pieces of unexploded ordnance and a huge amount of silt. But the river is silted up. It hasn't been touched in years. The best way in some areas of the country of moving material into Iraq is in fact up the river system and we can't do that. Some of that additional funding may well be for that work. But we also need security. The Gurkas are about to arrive to do security in the port of Umm Qasr and they will have to be paid until the fee structure is fully operational and there is enough commercial traffic. In order to pay the fees of maintaining the port, we will have to pay the employees and we will have to provide the security systems just to run it. The same thing for Baghdad airport.

Mr. Kolbe. We don't have as much information. We will try to get that from the CPA people. On USAID supplemental operating expenses, there is an additional \$40 million that is requested for USAID operating expenses, but we really don't have a detailed justification for this request. First of all, a question, is this in addition to the \$15 million that we proposed in the 2004 bill that we would transfer from the Iraq relief and reconstruction account for operations in that nation. In addition to that, how much of this \$40 million is for Afghanistan, how much for Iraq and how much are you using for air transport and how much for security?

Mr. Natsios. We will give you more detail and there are different scenarios depending how much money we are given, how much the OE requirements will be. This is in addition to the money in the 2004 budget. The \$40 million is divided approximately \$29 million for Iraq and \$11 million for Afghanistan. And I would say about 30 percent of it is for security, which we had not anticipated would be a requirement for us in terms of our own staff and for housing, we must provide for the protection of our staff and the upgrade of staff facilities should we be asked to do a lot more work. We have gone through the OE that you gave us in the supplemental in Iraq. We spent it now that the program is where it is.

Mr. Kolbe. We would appreciate some additional information between the countries that I mentioned and the different

functions, as I said, office space, housing, contract security, air transportation, those kinds of things.

Mr. Natsios, a more general question. We talked earlier about procurement and contracting and competition. And can you tell us how your efforts regarding procurement and contracting would be positively impacted by the financial management improvements that you have been attempting to make more broadly at USAID. For example, what is the status of the Phoenix rollout?

Mr. Natsios. The Phoenix rollout, time is ticking beginning last May. We began a 25-month countdown for it to be fully implemented in the field worldwide and we are now working on that and we are still on schedule to have it done whatever 25 months are after May of 2003.

Mr. Kolbe. That is a ways away.

Mr. Natsios. We also have an enormous need for a new software system for our procurement office. The software system we use now is from the early '80s and we have a patchup system we are using now that does not function that well, especially given the increasing demands that are being made on AID. There are 19 presidential initiatives, three of them AID is exclusively responsible for. We will be heavily engaged in HIV/AIDS. We may be requested to spend some of the MCA money. I have asked our staff to tell me what we would need to move up by 1 year the installment of this new procurement software which will help substantially, according to Tim Beans our chief procurement officer, our procurement officers to do a lot more work. And I would like to present to you a plan to speed up that acquisition of that software.

Mr. Kolbe. I think we would appreciate that. I think we would like to see--I mean we are ramping up significantly your responsibilities. Your agency has tremendous new responsibilities and the dollar amounts that are flowing through in terms of procurement contracts is greatly increased. And if you would give us some information about the management systems that you think are the weakest for handling this--these increased challenges in our foreign policy area, it will be helpful for us to know where we need to support you through the regular appropriation process.

Mr. Natsios. We will certainly do that, Mr. Chairman. I want to thank you for focusing on something that is mundane for some people but is so important for our staff. They are working weekends frequently and nights to achieve our mission. And I have to say I think some of them are heroes and I want to commend them now. You recognize that and I know Mrs. Lowey recognizes it, but a lot of people think that this sort of program work just happens. It doesn't just happen. It is our career officers who are making it happen, and I want to commend them. The more help we can get through increased OE in supporting our people, the easier it is to administer these massive increases in foreign aid spending.

Mr. Kolbe. Last question, the administration and we the subcommittee have been saying all along that what we are doing in Afghanistan and in Iraq will not be done at the expense of the programs that we have elsewhere in the world both geographically and the functions, whether it is education, children's survival accounts or HIV/AIDS funding. But I just

came back last night from Central America and certainly the-- what we are hearing down there, there are pretty substantial cuts going on in the AID personnel down there. And I am just wondering whether or not we can really--whether or not--we are told I think that it is the function of the personnel following the dollars and the dollars are flowing to Iraq and Afghanistan, so the personnel are going to be following that to handle this. So it suggests to me that we may be indeed more short staffed than we think and we are not going to be able to keep the programs we have in other parts of the world. Am I wrong on that?

Mr. Natsios. I think they have either misunderstood the worldwide staffing template or they choose to tell you things that aren't quite accurate. AID has not been able to explain to the Congress, or OMB, or the GAO, or the IG why it has the number of people it has in each mission around the world. When I came to AID, we had a country mission with a \$125 million development program and 5 direct hires, foreign service officers, in the field. We had another program with 7 direct hires, and a \$10 million budget. And I asked the mission director to explain to me why you need all these people. The reality is that our system is so decentralized that whatever people ask for they get. And I said that is bad management and I am not going to accept that anymore. So the career people, at my request, created within PPC a unit to review this and we did it with all the bureaus. And we said we are going to allocate foreign officer staff worldwide based on their financial burden. This was before Iraq and before Afghanistan. What we found is that there was a misallocation of resources between Latin America and the Asia-Near East Bureau. Asia-Near East was the least staffed bureau before Afghanistan and Iraq, and the best staffed traditionally has been Latin America. This was not related to politics, but it was related to the programs we had there in the 1980s and early '90s for El Salvador and the Kissinger initiative in Central America. And the staffs were never sufficiently decreased after that to equal other areas of the world, and there were also misallocations within bureaus.

So we now have a new staffing template. It is now signed. I signed it last, April or May. It is in effect. For the first time in 40 years we can now tell you how many we have and what is the basis for the allocation of staff by country and that is what they are dealing with. We are not talking about massive shifts in human resources. We have a thousand foreign service officers in the field and we are moving 20 from the Latin America Bureau into the Asia-Near East Bureau. Africa will stay as it is now and so will ENE. That is simply good management. And we will continue the staffing template regardless of what our pressures are. We are going to try to have an allocation based on the workload and size of the budget from now on.

Mr. Kolbe. Thank you for the explanation. Ms. Lowey.

Mrs. Lowey. Thank you, Mr. Chairman. Good segway to my question. Given that AID has hundreds if not thousands of policy experts already in place in Afghanistan and several major contractors mobilized and working, what is your view of the new plan as I understand developed by DOD and NSC to bring in all these new experts and senior advisors, and are you satisfied that the new plan acknowledges AID's crucial role in

the reconstruction process?

Mr. Natsios. I am satisfied of that and our staff actually worked on the initial planning. The NSC knows exactly because I presented it, how many people we have in each of the ministries and in what disciplines. We actually have a chart. If you want the chart I can show you by ministry what the person's technical discipline is and which contract they are being paid from, and also the 879 Afghans that we support as advisors. And I asked the ministers how helpful are these people? Are they important to you? And I had one of the ministers tell me, the nine people you have--the Afghans on my staff--are my senior management team and they are helping me reform the ministry. Can we use more help? Absolutely. This is a country that has been traumatized for 25 years. We don't mind technical experts coming in from other departments. I don't think people realize but we have people on our staff who come from other Federal agencies. There are 60 agricultural economists and scientists from outside USAID who have been working for us for 20 years. That is how we maintain our connection with technical expertise in other Federal departments. We have people from CDC, for example, who work in our agency.

Mrs. Lowey. Following up on that, and we have been talking about the acceleration of the road construction in Afghanistan, but due to that acceleration, it is my understanding that critical projects to build new schools, hospitals, and clinics have been put on hold, and it is my understanding that the new plan before us calls for accelerated construction of more roads, as well as hospitals, clinics, schools, and even industrial parks.

If you could discuss further your contracting plan to meet these needs, will the current contract with Louis Berger be extended or a new contract be let, and, given the overwhelming needs of the country and everyone's desire to get them help as quickly as possible, why wasn't this problem not foreseen; why didn't AID move sooner to either let a new construction contract or insist on more accelerated action on the contractor's, Louis Berger's, part?

Mr. Natsios. I think there are several different questions in there.

Mrs. Lowey. Right.

Mr. Natsios. In terms of the supplemental, this will allow us to do part of the rest of the road that President Karzai, President Bush, the Prime Minister of Japan and the Saudi King announced about a year ago. At that time they promised to rebuild the road from Kabul, not to Kandahar, but all the way out to Herat, which is near the Iranian border. That would be about half the ring road that you see there on the map.

Herat is the red city there on the right-hand map.

Mrs. Lowey. Um-hum.

Mr. Natsios. So we will be basically doing half the ring road--we're doing it with the Japanese and the Saudis, and not just America alone. Part of the road from Kabul to Kandahar is being done by the Japanese, and then I think the Saudis have put \$30 million into the Kandahar-Herat part of it.

With current funding we will be able to get the road from Kandahar up to probably the Helmand valley. We are doing the engineering studies, right now, about the extension of that.

The actual engineering work is done by Louis Berger. Louis Berger is not a construction company; I mean, it is not doing the construction. It is hiring subcontractors to actually go out and do the construction work. Berger competitively bids that and gets the low price, and we have been doing that. We have been getting better prices because more and more companies have been entering Afghanistan to do work now. So this will allow us to get up to the Helmand valley, but not up to Herat, as I understand it from our engineers.

In terms of the construction of schools, we have reconstructed 203 schools already, as of today, and we have got a total of 1,000 we are doing over the next 3 years, but those contracts were just signed, I think, in the late spring. They are not old contracts. They are relatively new contracts, and Louis Berger will do some of the engineering for some of the health clinics, for some of the schools and some of the rural agriculture, but they are just doing the construction management. They are not doing the actual construction. They will help us oversee the letting of the subcontracts for these other projects to be bid.

Some of the construction that you're talking about, Congresswoman, will actually be done by NGOs under contract from Louis Berger, according to the master plan we have designed with Central Ministries, so it depends on the area we are in. If there is a construction company, we will use it. Whatever provides the cheapest quality or the best price, we will do that. But if you want, we can get more information to you on this.

Mrs. Lowey. Thank you. And since my time is almost running out, you have discussed the programs for women, as has Secretary Armitage. Perhaps you want to conclude your presentation, or I guess my round of questioning, with your comments on the progress that is being made in assisting women in education, health needs, et cetera.

Mr. Natsios. One of the things we are doing which I think is of extremely high importance, given the extremely high maternal mortality rates in Afghanistan--Congresswoman Kilpatrick mentioned earlier that she was concerned about our domestic requirements.

About 10 women of 100,000 die in the United States from maternal mortality; in other words, from childbirth or as a consequence of childbirth, 10 women out of 100,000. In Afghanistan, in many areas it is 1,000 women who die out of 100,000. So it is 10 in the United States and 1,000 in Afghanistan. It is not comparable. I mean, what we are facing, what we are dealing with, is a human misery index in Afghanistan that is probably the worst in the world. They are tied for the highest maternal mortality rate with Sierra Leone.

We can't allow this to continue, and one of the things we are doing through the women's center system and these clinics we are building is to find women who come from poor families who need--maybe some of them being widows--who will agree to be trained as midwives, because if we have a system of midwives, in these clinics we are building around the country, we can reduce the maternal mortality rate substantially. And that is something we are doing across the country, and that is very important.

Fifty percent of the women in Afghanistan are severely anemic, and that has an effect on child mortality and an effect on their own survival. So we are beginning a national campaign with the Ministry of Health and the NGOs to reduce the anemia rates in women, which is a serious problem.

In terms of these women's centers, we just met with the Minister of Women's Affairs, who I am very impressed with. We had a wonderful discussion about what we can do to support her in her efforts to open these centers. We are building the centers for her, working with the ministry. She is telling us what she wants and where, and we are telling--working with the Ministry closely.

We have also opened 17 day care centers in the ministries we have rebuilt so the women civil servants can go back to work and have their children cared for within the ministries themselves, and this has been a boon, because we don't want just men working in the ministries, and many women would not come back to work unless they had some child care for the children.

Mrs. Lowey. Thank you very much.

Thank you, Mr. Chairman.

Mr. Kolbe. And thank you, Mrs. Lowey and Mr. Administrator, Mr. Natsios. Thank you very much for your patience today and for participating in this entire hearing. It has been a long hearing, but I think extremely valuable in highlighting some of the issues facing in this supplemental and giving us information to draw on as we prepare the details of this supplemental. And so we thank you very much for appearing before us.

Mr. Natsios. Thank you for having me, Mr. Chairman.

Mr. Kolbe. And the subcommittee will stand adjourned.

[Questions and answers for the record follow:]

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W I T N E S S E S

	Page
Abizaid, Gen. J. P.....	1
Armitage, R. L.....	175
Bremer, Ambassador Paul.....	1
Natsios, A. S.....	215

?